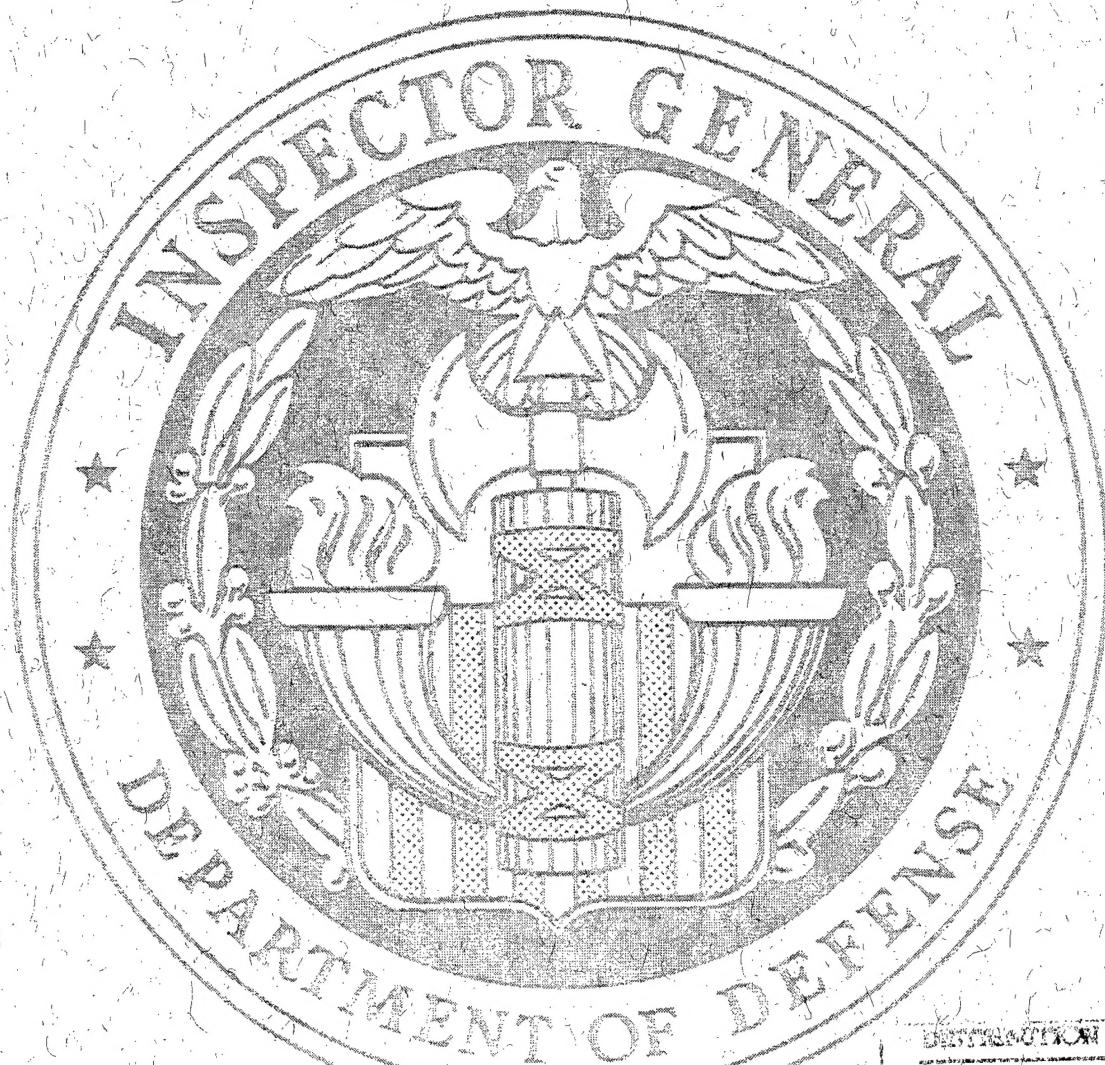


Department of Defense Inspector General



Semiannual Report to the Congress

*April 1, 1995 to
September 30, 1995*



DISTRIBUTION STATEMENT A

Approved for public release;
Distribution Unrestricted

DTIC QUALITY INSPECTED 4

19970722 157

DEPARTMENT OF DEFENSE
SIGNIFICANT AUDIT INSPECTION AND INVESTIGATION RESULTS
(For the 6-Month Period Ending September 30, 1995)

Statistical Highlights	Totals	Page
Audit Activities:		
Internal Audit Monetary Benefits:		
Potential Monetary Benefits Reported	\$9.6b	3
Impact of Completed Actions	\$2.7b	21
Potential Impact from Open Actions	\$8.3b	21
Contract Audit Monetary Benefits:		
Potential Monetary Benefits Reported	\$8.1b	25, 27
Impact of Completed Actions	\$1.6b	25, 27
Investigative Activities:		
Monetary Outcomes:		
To Government Entities	\$453.3m	38, F-1
Litigation Results:		
Indictments	384	38, F-1
Convictions	439	38, F-1
Civil Settlements/Judgments	11	38, F-1
Uniform Code of Military Justice Results:		
Charges	171	F-1
Convictions	307	F-1
Administrative Results:		
Debarments	164	38
Suspensions	132	38
DoD Hotline:		
Cases Partially or Fully Substantiated	371	46

This report has been provided, through the Secretary of Defense, to the following Congressional oversight committees: Senate Committee on Governmental Affairs, Senate Committee on Armed Services, Senate Committee on Appropriations, House Committee on Government Reform and Oversight, House Committee on National Security and House Committee on Appropriations.



FOREWORD

I am proud to report on the accomplishments of the Department of Defense (DoD) auditors, inspectors and investigators. The Semiannual Report highlights some of the accomplishments achieved during the period April 1, 1995 to September 30, 1995.

Some of the major accomplishments during the period follow.

- Internal auditors and inspectors recommended that \$9.6 billion be put to better use immediately or during the Future Years Defense Program period. During the report period, the DoD realized over \$2.6 billion in savings by implementing audit and inspection recommendations. Also, internal auditors and inspectors continued to make improvements in productivity, including substantial reductions in audit cycle time and costs; devoted increased resources to a wide range of management advisory assistance assignments; and further improved the value of audits and reviews by increasing the involvement of senior managers in the planning process.
- Contract auditors examined over \$157 billion of incurred cost and contract proposals, took exception to over \$1.9 billion and recommended that \$6.2 billion be put to better use. The monetary benefits achieved during the period from completed contract actions were over \$1.6 billion.
- Criminal investigators continued to place emphasis on procurement and health care provider fraud. Overall, the DoD criminal investigators achieved over \$453 million in monetary recoveries and over \$36 million in seizures and recoveries of Government property.

This office, like most of the Federal Government and the DoD, is facing a workforce reduction. To ensure that we continue to effectively accomplish our mission in light of a projected 500 staff year reduction by the year 2001, a reorganization of the office was instituted. Operations were streamlined by consolidating functions and reducing the number of Assistant Inspectors General from eight to four. The reorganization includes a strengthened oversight capability in the area of intelligence and intelligence-related activities. The reorganization will also place us in a better position to adjust to downsizing while retaining our ability to deliver timely analytical products, conduct criminal investigations and perform our policy and oversight functions for all of DoD's auditors and investigators.

A summary of the statistical accomplishments of the auditors, inspectors and investigators during the period is located on the inside front cover of this report. Chapter 5 presents a brief summary of some of the more important matters affecting the Department that were brought to the attention of the Congress.

The achievements of the DoD auditors, inspectors and investigators were realized because of the support of the Secretary of Defense, the Department's managers and the Congress. We will continue to strive to maintain their confidence and support.



Eleanor Hill
Inspector General

TABLE OF CONTENTS

	<u>Page</u>
CHAPTER 1. REVIEWS OF DOD PROGRAMS AND OPERATIONS	1
Major Accomplishments and Future Trends	1
Major Source of Coverage Requirements.....	1
Impact of Staffing Reductions on Coverage.....	2
Reorganizations to Improve Efficiency	2
Working With Users to Improve Value of Reviews	2
Substantial Improvements in Productivity	3
Substantial Benefits Obtained.....	3
Trends and Accomplishments for Major Functional Areas	3
Finance and Accounting Issue Area	3
Chief Financial Officers Act (CFO) Audits.....	3
Financial Assistance Projects	8
Significant Finance and Accounting Reports	8
Primary Challenge	9
Acquisition Oversight Issue Area.....	9
Significant Acquisition Oversight Reports	10
Primary Challenge	11
Logistics Issue Area.....	11
Significant Logistics Reports.....	11
Primary Challenge	12
Construction and Installation Support Issue Area	12
Significant Construction and Installation Support Reports	12
Primary Challenge	13
Automated Systems Issue Area.....	13
Significant Automated Systems Reports.....	13
Primary Challenge	14
Health Care Issue Area	14
Primary Challenge	14
Military Department Inspections.....	14
Followup Activities	15
Success Stories	15
Significant Incomplete Corrective Actions.....	16
Audit Policy and Oversight.....	19
CHAPTER 2. CONTRACT AUDITS	23
Defense Contract Audit Agency Significant Cases	23
Army Corps of Engineers (CoE).....	27
Contract Audit Policy and Oversight.....	28
Contract Audit Followup (Department of Defense).....	29
CHAPTER 3. CRIMINAL INVESTIGATIONS.....	31
Significant Investigative Cases	31
False Claims/Statements	31
Undelivered Products	32
Nonconforming Products	32

Product Substitution	32
Cost Mischarging.....	34
Defective Pricing	34
Contractor/Subcontractor Kickbacks	35
Health Care Fraud.....	36
Other Indictments, Convictions and Recoveries.....	36
Policy and Oversight Activities	37
Voluntary Disclosure Program.....	39
 CHAPTER 4. OTHER INVESTIGATIONS	43
Publicity on Military Whistleblower Protection	43
Special Inquiries	44
Violations of DoD Directive 6490.1, "Mental Health Evaluations of Members of the Armed Forces".....	44
Examples of Substantiated Military Whistleblower Reprisal Findings During the Reporting Period	44
Program Integrity	44
Significant Findings - Senior Official Investigations	44
DoD Hotline	45
Significant DoD Hotline Findings.....	45
 CHAPTER 5. SIGNIFICANT TESTIMONY AND PROPOSALS	47
Congressional Testimony.....	47
Recommendations on Proposed Legislation	48
Congressional Taskings.....	49
Congressional Correspondence	51

Appendix

A	Personnel Strength and Operating Costs	A-1
B	Legislative Reporting Requirements	B-1
C	Inspector General, DoD Audit Reports Issued Containing Quantifiable Potential Monetary Benefits	C-1
D	Reports Issued by Central DoD Internal Audit Organizations	D-1
E	Status of OIG, DoD Reports Over 12 Months Old with Final Action Pending	E-1
F	Investigative Case Results	F-1

Exhibit

1	Workload by Source for FY 1995, IG, DoD Final Reports.....	1
2	OAIG-Audit Staff Declining	2
3	IG, DoD Productivity Improvements From FY 1992 Through FY 1995	4
4	Funds Identified for Potential Better Use, Office of the Assistant Inspector General for Auditing	5
5	Number of Reports by Issue Area	5
6	CFO Audit Workyears	6
7	FY 1994 Financial Statement Audit Results	7
8a	Decision Status of Inspector General Issued Reports with Questioned Costs.....	20

8b	Decision Status of Inspector General Issued Reports with Recommendations that Funds be Put to Better Use.....	21
9	Status of Action on Central Internal Audits	21
10	Contract Audit Reports Issued - Defense Contract Audit Agency	25
11	Contract Audit Reports Closed - Defense Contract Audit Agency.....	25
12	Contract Audit Reports Issued - U.S. Army Corps of Engineers	27
13	Contract Audit Reports Closed - U.S. Army Corps of Engineers	27
14	Contract Audit Followup Results - Significant Postaward Audits	30
15	Investigative Case Results.....	38
16	Suspensions and Debarments Resulting from Criminal Investigations	38
17	Examples of Major Indictments, Convictions or Recoveries Obtained by Department of Defense Criminal Investigative Organizations	40
18	DoD Hotline Program	46
19	Additional Legislative Reporting Requirements	52

Illustrations

T-45A Goshawk Aircraft.....	10
C-141 Cargo Aircraft	11
UH60 Black Hawk Helicopter.....	15
AWACS Aircraft	24
M9 ACE Vehicle	26
Apache Helicopter.....	31
A6E Aircraft (Grumman Aerospace Corporation Photo).....	35
B1-B Bomber.....	35

All pictures shown in this report are Department of Defense photographs, except as noted.

CHAPTER 1 - REVIEWS OF DOD PROGRAMS AND OPERATIONS

MAJOR ACCOMPLISHMENTS AND FUTURE TRENDS

The DoD internal review community--the IG, DoD Office of the Assistant Inspector General for Auditing, Army Audit Agency, Naval Audit Service, Air Force Audit Agency, and other Defense and Military Department internal review and inspection organizations--is continuing to focus its efforts on further improving the efficiency, effectiveness and integrity of DoD organizations and programs by providing independent, objective, relevant, accurate and timely information to decision makers for their use in managing programs and operations and streamlining regulations and structure within the Department. Major accomplishments over the past 6 months include:

- Continuing improvements in productivity, including substantial reductions in audit cycle time and costs.
- Devoting increased resources to a wide range of management advisory assistance assignments.
- Further improving the value of audits by increasing the involvement of senior managers in the audit planning process.

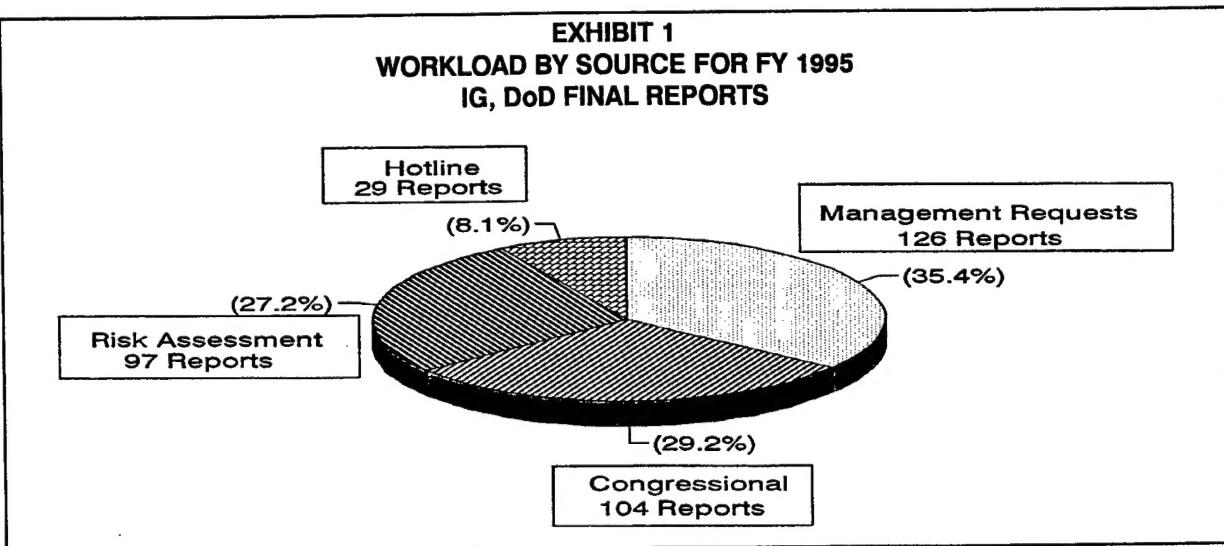
Major trends that will impact on our future operations include:

- Increasing audit requirements of the Chief Financial Officers Act.
- Continuing decreases in personnel and budget resources.

MAJOR SOURCES OF COVERAGE REQUIREMENTS

Our review workload is derived from four major sources--(1) Congressionally directed or requested work, including statutorily required effort, such as requirements of the Chief Financial Officers Act; (2) DoD management requested work; (3) work generated through the DoD Hotline; and (4) work based on our risk assessment of the vulnerabilities of DoD programs or operations. The growth of Congressional and management requests for audit, inspection or evaluation type support has particularly influenced the workload of the IG, DoD. The number of reports issued by the IG, DoD, in response to Congressional and management requests rose to 65 percent of total reports in fiscal year 1995. Exhibit 1 illustrates the sources of work for the IG, DoD in fiscal year 1995.

EXHIBIT 1
WORKLOAD BY SOURCE FOR FY 1995
IG, DoD FINAL REPORTS



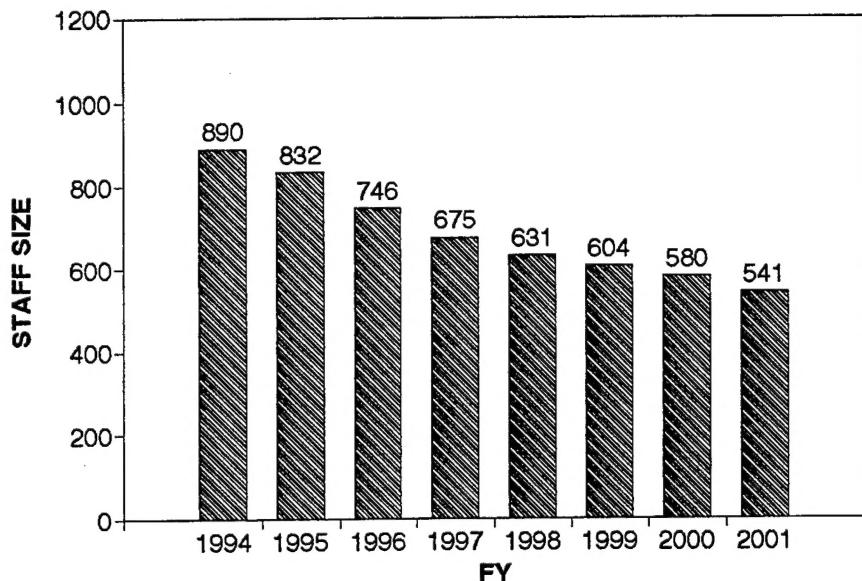
IMPACT OF STAFFING REDUCTIONS ON COVERAGE

Substantial reductions in staffing are expected to continue in most DoD audit and inspection organizations. For example, as illustrated in Exhibit 2, the size of the staff of the IG, DoD Office of the Assistant Inspector General for Auditing is expected to decline by 39 percent, 349 personnel, from fiscal years 1994 to 2001.

DoD, are illustrative of those reorganization efficiency improvements.

The Army Audit Agency is implementing a worldwide reorganization that will enable the Agency to provide faster more efficient services to the Army. The restructuring will eliminate regional structures, centralize audit scheduling and staffing within the newly established Operations Center in Alexandria, Virginia, push greater responsibilities for personnel

EXHIBIT 2
OAIG-AUDIT STAFF DECLINING*
Year-End Strength



* Includes civilian audit, evaluation, and supporting technical and administrative staff in the Office of the Assistant IG for Auditing (OAIG-Audit)

In facing those reductions, we are reprioritizing our review efforts to assure that our resources are concentrated in areas that will have the biggest payback to the Department. While we will not be able to provide the level of services to the Department and the Congress that we have in the past, we will partially compensate by continuing vigorous productivity improvement efforts. We will also continue to assure that our products meet high standards of accuracy, reliability, timeliness and usefulness to DoD managers and the Congress.

REORGANIZATIONS TO IMPROVE EFFICIENCY

The DoD internal audit organizations are taking a number of actions to improve efficiency by reorganizing and streamlining their operations. The actions taken by the Army Audit Agency and the IG,

management to lower levels and give greater reporting responsibilities to supervisors. The Agency plans to complete the restructuring by September 30, 1996.

The IG, DoD, consolidated its audit, inspection and followup staffs to achieve "one face to management" in each functional area. The reorganization will also enable the IG, DoD, to provide more multidisciplinary review coverage and reduce overhead.

WORKING WITH USERS TO IMPROVE VALUE OF REVIEWS

One of our primary concerns is to assure that we meet the needs of our DoD and Congressional customers by providing timely, realistic and practical advice on improving the economy, effectiveness and integrity of DoD programs and operations. The DoD community has taken a number of steps over the past

few years to improve its support to the Department and the Congress.

Joint Planning Groups were established in 1993. Increasing attention has been placed over the past year in actively involving senior DoD managers in our review coverage planning process.

Most DoD internal audit organizations now conduct periodic user surveys to solicit suggestions on how review services can be further strengthened. The DoD internal audit community is also devoting an increasing portion of its resources to a wide range of management advisory assistance assignments that provide assistance to management without the full panoply of audit procedures and formalities. For example, during fiscal year 1995 the Air Force Audit Agency participated in 116 management advisory projects and the IG, DoD, Office of the Assistant Inspector General for Auditing participated in 70 management advisory projects. The projects entailed a wide range of auditor assistance to various DoD management groups, including base realignment and closure analysis groups; the teams that are designing new DoD travel, transportation and privatization initiatives; and acquisition reform process action teams. It also includes such efforts as participating in Operation Mongoose, an initiative launched by the Deputy Secretary of Defense to detect and reduce financial fraud through sophisticated computer matching techniques.

SUBSTANTIAL IMPROVEMENTS IN PRODUCTIVITY

The four central DoD internal audit organizations--the IG, DoD Office of the Assistant Inspector General for Auditing, Army Audit Agency, Naval Audit Service, and Air Force Audit Agency--are aggressively pursuing new and more cost-effective methods of fulfilling their missions. Emphasis is placed on improving the timeliness of audits by reducing cycle time and reducing the costs of audits without sacrificing quality. The Army Audit Agency also serves as a pilot project under the Government Performance and Results Act.

The two graphs in Exhibit 3 on page 4 exemplify the success the IG, DoD, has had in improving the productivity of its audit services over the past 3 years. The aggressive productivity improvement efforts taken by the IG, DoD, have reduced audit cycle time--the time from when an audit is started to the time a final report is delivered to our DoD management customer--by 43 percent and increased the number of audit reports issued by 54 percent.

SUBSTANTIAL BENEFITS OBTAINED

Investments in well focused audit and inspection activities provide significant benefits to the DoD. It is imperative that the DoD reduce the costs of its operations and programs. While it is frequently difficult to estimate the specific monetary savings that are brought about by our findings, the four central internal audit organizations over the past 3 years have identified a minimum of \$50.9 billion of funds that could be put to better use immediately or during the Future Years Defense Program period. That includes \$9.6 billion identified during the past 6 months.

Exhibit 4 on page 5 covers the funds identified for potential better use through audits performed by the IG, DoD, over the past 3 years and the past 6 months. The Exhibit is illustrative of the funds identified for potential better use in meeting DoD priority needs, such as the acquisition of new weapon systems and logistics programs necessary to assure that our weapon systems are effectively maintained in combat ready condition. A complete list of audit reports issued by the OIG, DoD, with quantifiable potential monetary benefits is at Appendix C.

TRENDS AND ACCOMPLISHMENTS FOR MAJOR FUNCTIONAL AREAS

The four central DoD internal audit organizations operate a Joint Planning Group for each of 10 functional issue areas. Representatives from other DoD internal review and inspection groups also participate. The joint planning strategy has enabled us to further increase the focus of our efforts on the critical issues facing the DoD and avoid duplication. Exhibit 5 on page 5 shows the number of final reports issued by the four central DoD internal audit organizations during the past 6 months in each of the issue areas. A detailed list of those reports is provided in Appendix D.

FINANCE AND ACCOUNTING ISSUE AREA

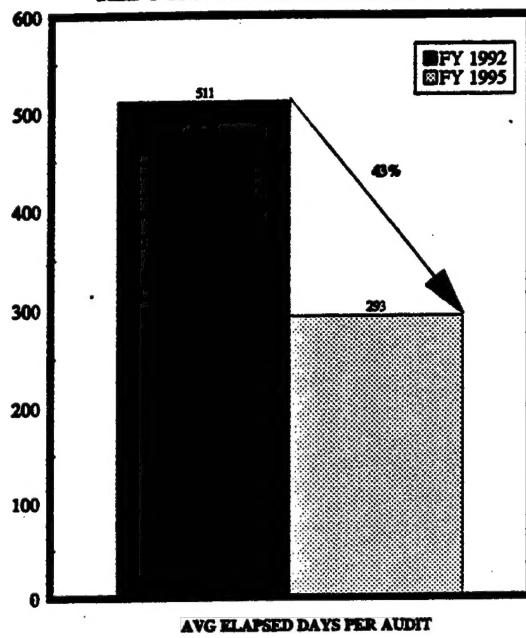
During the past 6 months, the four central DoD internal audit organizations issued 113 final reports covering finance and accounting related issues. That includes reports prepared in response to the audit requirements of the Chief Financial Officer Act.

Chief Financial Officers Act (CFO) Audits

Collectively the four central DoD internal audit organizations expended 601 staff years of efforts

EXHIBIT 3
IG, DoD PRODUCTIVITY IMPROVEMENTS
FROM FY 1992 THROUGH FY 1995

REDUCED AUDIT CYCLE TIME



INCREASED NUMBER OF AUDIT REPORTS

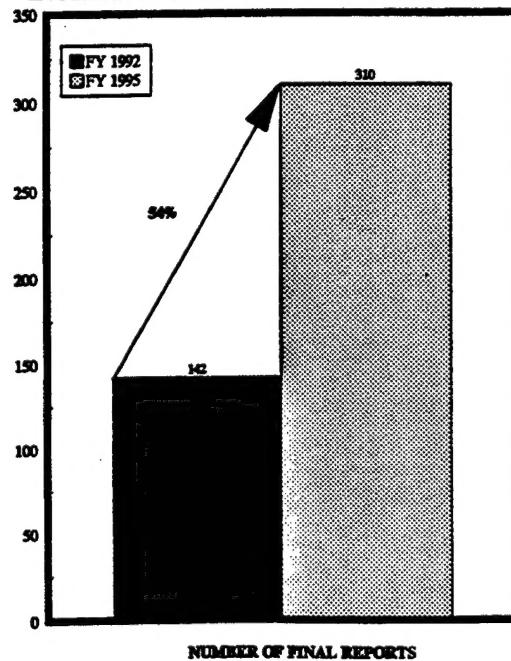


EXHIBIT 4
FUNDS IDENTIFIED FOR POTENTIAL BETTER USE
OFFICE OF THE ASSISTANT INSPECTOR GENERAL FOR AUDITING
(\$ in thousands)

	Past 3 Years	Past 6 Months
Acquisition Programs	\$9,426,650	\$1,437,400
Constructions Programs	1,509,730	298,812
Logistics Programs	4,605,985	2,180,300
Other Programs	4,870,007	531,847
Total	\$20,412,372	\$4,448,359

EXHIBIT 5
NUMBER OF REPORTS BY ISSUE AREA
[Reports Issued by the Four Central DoD Internal Audit Organizations]
April 1, 1995 - September 30, 1995

Finance and Accounting	113
Acquisition Oversight	74
Logistics	62
Construction and Installation Support	37
Automated Systems	27
Health Care	10
Quality of Life	9
Intelligence	9
Forces, Joint Operations, and Special Operations	6
Environment	5
Other	2
Total	354

during fiscal year 1995 in meeting the financial statement audit requirements of the Chief Financial Officers Act. That includes 156 work years of audit effort by the IG, DoD, and 445 work years of audit effort by the Military Department internal audit organizations. Exhibit 6 on page 6 illustrates the substantial resources that have and will be required to meet CFO audit requirements.

Meeting the increasing CFO audit requirements during a time of declining audit resources remains a key concern for accomplishing financial statement audits. For example, expected decreases in IG, DoD, audit resources with no decline in CFO audit responsibilities will result in 46 percent of total audit resources expended on financial statement audits in

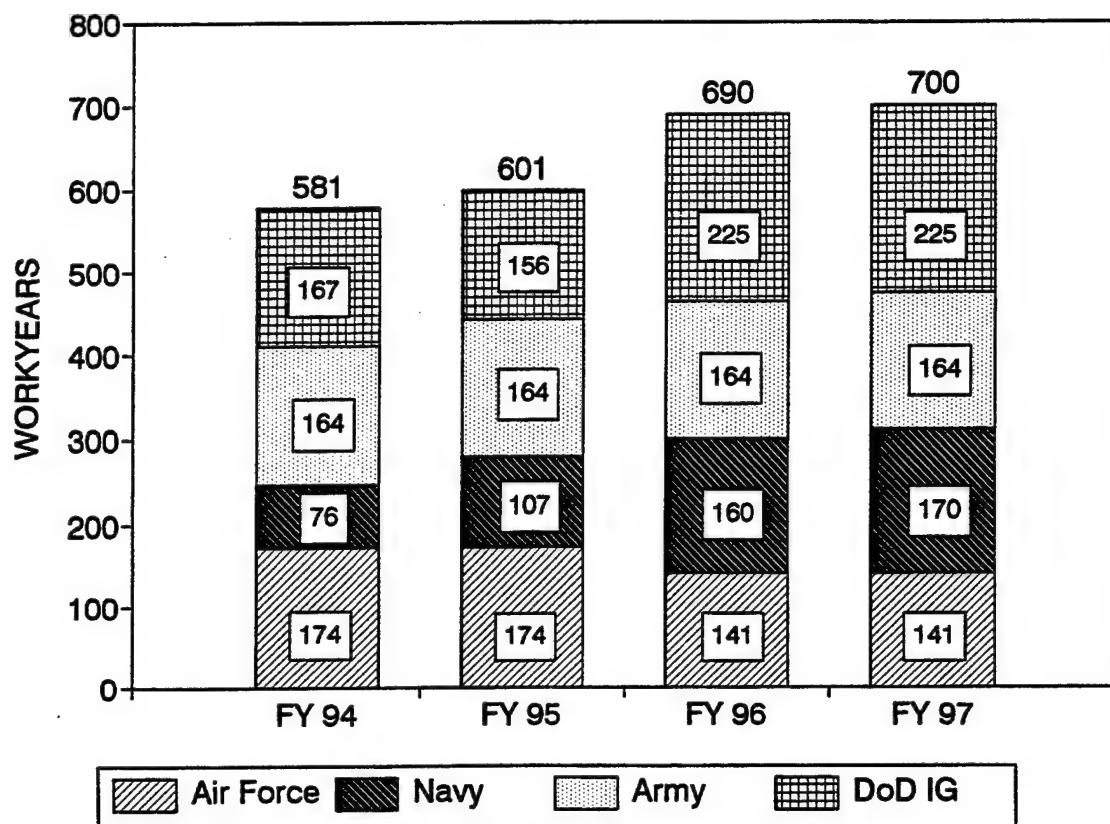
fiscal year 2001--more than twice the fiscal year 1995 22 percent level. The Military Department internal audit groups will be similarly affected.

Results of Audits of Fiscal Year 1994 Financial Statements

Thus far, few DoD components have been able to produce auditable financial statements. Exhibit 7 on page 7 summarizes the audit opinions rendered on fiscal year 1994 financial statements.

The disclaimed opinions on the fiscal year 1994 financial statements for the DoD General Funds of the Army, Air Force and Army Corps

EXHIBIT 6
CFO AUDIT WORKYEARS



of Engineers' Civil Works Program (combined assets of \$612.9 billion) and the Defense Business Operations Fund (\$103.6 billion in assets) were issued because the financial statements and supporting general ledgers were unauditable. The major deficiencies that prevented the auditors from rendering audit opinions on DoD general fund financial statements included inadequate accounting systems and improper accounting for assets, disbursements, collections and contingent liabilities. The inability to produce reliable financial statements impedes the progress toward managers using financial information to control funds, make informed decisions and measure performance.

On the other hand, limited progress was made in some of the smaller funds. We rendered an unqualified opinion on the fiscal year 1994 financial statements of the Voluntary Separation Incentive Trust Fund and four qualified opinions on other DoD funds. Even though some progress was made, most DoD components still do not have adequate

accounting systems or sound internal control structures for reporting timely and meaningful information. Through the audits and working closely with management, we helped identify billions of dollars of accounting mistakes and omissions that can render information provided to managers and the Congress virtually useless.

Future Emphasis of CFO Audit Coverage

Continued improvements are needed in the DoD internal control structure to implement financial management systems that produce accurate and reliable financial data. The Federal Financial Management Act of 1994 expanded the audit requirements prescribed by the Chief Financial Officers Act of 1990 and has given a much needed emphasis to improving financial management systems. Beginning in fiscal year 1996, all Federal agencies are required to have audited financial statements at the agency level. Government-wide audited financial statements are required for fiscal year 1997.

EXHIBIT 7
FY 1994 FINANCIAL STATEMENT AUDIT RESULTS

Fund	Fund Manager	Auditor	Opinion
Air Force General Fund Consolidated Financial Statements	Asst. Secretary of the Air Force (Financial Management/Comptroller)	Air Force	Disclaimer
Army General Fund Consolidated Financial Statements	Asst. Secretary of the Army (Financial Mgt/Comptroller)	Army	Disclaimer
Civil Works Fund	Army Corps of Engineers	Army	Disclaimer
Commissary Operations Fund (DBOF)	Defense Commissary Agency	DoD IG	Disclaimer
Commissary Resale Stock Fund (DBOF)	Defense Commissary Agency	DoD IG	Disclaimer
Commissary Surcharge Collections Fund	Defense Commissary Agency	DoD IG	Disclaimer
Communications Information Services Activity (DBOF)	Defense Information Systems Agency	DoD IG	Qualified
Defense Business Operations Fund (DBOF) Consolidated Financial Statements	Military Departments and Defense Agencies	DoD IG	Disclaimer
DLA Distribution Depot Business Area (DBOF)	Defense Logistics Agency	DoD IG	Disclaimer
Defense Information Services Organization (DBOF)	Defense Information Systems Agency	DoD IG	Disclaimer
DLA Reutilization of Marketing Service Business Area (DBOF)	Defense Logistics Agency	DoD IG	Disclaimer
DLA Supply Management Business Area (DBOF)	Defense Logistics Agency	DoD IG	Disclaimer
National Security Education Trust Fund	Under Secretary of Defense for Policy	DoD IG	Qualified
Naval Records and History Fund	Chief of Naval Operations	Navy	Qualified
Navy General Gift Fund	Under Secretary of the Navy	Navy	Qualified
Voluntary Separation Incentive Trust Fund	Under Secretary of Defense for Personnel and Readiness	DoD IG	Unqualified

To comply with the most recent mandate, the largest commitment of our resources is to audit the ten DoD financial statement reporting entities for fiscal year 1996. Through the Financial Statement Audit Executive Steering Committee, established to provide overall direction for CFO audits within the DoD, we are developing an approach for auditing the financial statements. That approach, which includes coordinating audit efforts throughout the DoD audit community, will ensure that sufficient audit coverage is given to all reporting entities in the DoD while maximizing audit efficiency through risk assessments and analytical reviews. To support financial statement audits, the OIG, DoD, formed an Automated Financial Systems Audit Division to perform audits of general and application controls of the automated accounting systems that process data used for preparing financial statements. The IG, DoD, also supports the General Accounting Office audit of the Fiscal Year 1997 Government-wide Financial Statements and assumed a leadership role in the Government-wide Audited Financial Statement Task Force.

Financial Assistance Projects

The IG, DoD, is also using several innovative nontraditional methods to provide DoD managers assistance in solving financial issues. The following four projects are illustrative of those proactive methods.

Operation Mongoose

We are assisting the Defense Finance and Accounting Service (DFAS) and the Defense Manpower Data Center in Operation Mongoose, an ongoing project to reduce the vulnerability of financial fraud within the DoD. A joint team from the OIG, DFAS, and Secret Service conducted investigations in Guam that resulted in the suspension of over 100 retiree and annuitant accounts for an annual savings of \$1.2 million. Future trips are planned to other overseas locations, including Puerto Rico, Spain and Italy. Operation Mongoose also identified Army members who had incorrectly received both selected service bonus and voluntary separation incentive payments totalling approximately \$250,000.

Antideficiency Act

We continue to support the DoD in its efforts to implement an effective Antideficiency Act program. In addition to conducting a number

of investigations, we helped the Under Secretary of Defense (Comptroller) revise DoD Directive 7200.1, "Administrative Control of Appropriations," and are currently working with the DoD components to implement the Antideficiency Act guidance prescribed in DoD Financial Management Regulation, Volume 14, "Administrative Control of Funds and Antideficiency Act Violations." We are also assisting the Comptroller in selecting training programs for Antideficiency Act investigators.

Unmatched Disbursements

We were instrumental in helping the DoD develop a policy for researching and correcting unmatched disbursements. Unmatched disbursements are payments that have not been matched to corresponding obligations. In coordination with the Under Secretary of Defense (Comptroller) and the DFAS, we outlined a process for resolving the large number of disbursement transactions in the Department's accounts that are not properly matched. We also endorsed the Department's plan to prevalidate future disbursements of \$5 million and greater, as required by Section 8137 of Public Law 103-335. We are currently evaluating the Department's implementation of the plan to match disbursements and obligations prior to payment.

Federal Financial Management Act Executive Committee

We also made significant contributions as participating members in the Federal Financial Management Act Executive Committee. That group, comprised of senior executives from our audit organizations, the Office of the Under Secretary of Defense (Comptroller) and the DFAS, is an adaptation of the private sector corporate audit committee concept. Using that forum, senior auditors and managers meet regularly. The Committee is making progress on enabling the audit organizations to obtain on-line access to the DFAS automated systems. We also worked closely to develop positions on Federal Accounting Standards Advisory Board exposure drafts, and developed coordinated DoD positions on the ability of the DoD to comply with the Federal Financial Management Act of 1994.

Significant Finance and Accounting Reports

In addition to CFO audits, a number of other significant reports were issued on finance and

accounting related issues. The following two examples exemplify those significant reports.

IG, DoD, Audit Report Number 95-263, "Controls Over Operating System and Security Software and Other General Controls for Computer Systems Supporting the Defense Finance and Accounting Service"

The audit was performed at the request of the Under Secretary of Defense (Comptroller) to determine if corrective actions had been taken or planned by the Defense Information Systems Agency Western Hemisphere and the Defense Logistics Agency-Defense Systems Design Center to improve computer security. The audit found that although significantly improved, some additional improvements were required in security software and environmental controls at the Defense Finance Accounting Service (DFAS)-Denver, DFAS Financial Systems Activity-Denver, Defense Information Processing Center-Cleveland, Defense Megacenter-Columbus, and Defense Megacenter-Denver. Knowledgeable users could gain unauthorized system access or perform unauthorized tasks. Also, computer assets valued at over \$40 million were vulnerable to damage or destruction. The audit also found that controls over sensitive features of the operating systems needed improvements at the Defense Information Processing Center-Cleveland, Defense Megacenter-Columbus, and Defense Megacenter-Denver. As a result of those control weaknesses, data such as pay records could be added, modified or deleted without detection. The audit also found that required system reviews, change controls and other procedures had not been performed or developed. As a result, operational efficiency could be reduced, and application and operating system integrity could be compromised. The auditors recommended improving the operating system, security software, environmental controls and management controls. Management comments were generally responsive.

Army Audit Agency Report Number AAA NR 95-70, "Reimbursements for Humanitarian Aid Missions, 21st Theater Army Area Command, Kaiserslautern, Germany"

The audit found that the Command was generally able to do humanitarian aid work without an adverse effect on its other missions. However, policies and procedures for identifying and recording costs incurred to do the work were not adequate, and management controls for reimbursements for humanitarian aid work were not fully effective. The auditors

recommended that the Command reconcile financial reports, correct inventory balances and report an additional \$3 million in airdrop costs to the U.S. Army, Europe, and Seventh Army for reimbursement. The auditors also recommended that the U.S. Army, Europe, and Seventh Army develop a system for tracking humanitarian taskings and associated costs, establish requirements and authorization levels and coordinate the requirements and inventory levels with the national inventory control point. The Army agreed with the potential monetary benefits and most of the recommendations.

Primary Challenge

The primary DoD management challenge in the finance and accounting issue area is to achieve the process and systems improvements set forth in the DoD Five-Year Financial Management Improvement Plan.

ACQUISITION OVERSIGHT ISSUE AREA

During the past 6 months, the four central DoD internal audit review organizations issued 74 final reports covering acquisition oversight issues.

Acquisition oversight is and will continue to be a major focus of our reviews. Downsizing and the significant workload associated with other areas, such as the Chief Financial Officers Act, will certainly affect the amount of resources we can devote to audits and reviews of acquisition functions and programs. However, we will continue to devote a considerable portion of our declining resources to reviewing acquisition functions and programs. That includes evaluating the growing number of hotline complaints of acquisition mismanagement we receive as the Defense drawdown continues.

In addition to the usual audits and reviews, we devoted significant resources to nontraditional roles by participating in a large number of DoD process action improvement teams that supported the acquisition reform process. That includes DoD process action improvement teams dealing with Acquisition Review and Oversight, Acquisition Reform Benchmarking and Stretch Goals and Metrics for the Review and Oversight Process. We also participated on integrated process/product teams pertaining to the A12 aircraft litigation, C17 aircraft should cost evaluation and C17 Aircraft Defense Science Board. We also supported the acquisition reform process by providing candid comments on proposed legislation and Defense policy and procedures.

We are implementing the actions recommended by acquisition reform teams to improve the oversight process. That includes actions to (1) centralize the scheduling and improve the coordination of all DoD oversight reviews of acquisition programs, (2) enhance the qualifications of auditors performing acquisition audits by developing an internal acquisition auditor career development program that is patterned after the acquisition function career development programs developed for the Defense acquisition work force, and (3) study the feasibility of consolidating all acquisition management audits and inspections.

In the past several years, we conducted a number of audits covering aspects of the acquisition process that directly impact the changing Defense environment: equipping National Guard and Reserve forces, which are becoming so important with the downsizing of the active military; the determination of system acquisition objectives (requirements), which is critical in this era of downsizing, changing threat and declining budgets; and the controls over highly critical and sensitive systems and information subject to international treaties. Those audits are in addition to our usual weapon system audits and acquisition function cross-cutting audits.

Significant Acquisition Oversight Reports

The following examples exemplify the types of significant reports we issued on acquisition issues.

IG, DoD, Audit Report Number 95-265, "Summary Report on the Audits of Anti-Armor Weapon Systems and Associated Munitions"

The report summarizes five reports provided to the Joint Chiefs of Staff, the Army, the Navy, the Air Force and the Marine Corps covering the evaluation of the reasonableness of the Military Departments acquisition objectives for munitions and weapon systems. The audits were designed to assess whether the Military

Departments were adjusting acquisition objectives to reflect the significantly reduced threat and resultant downsizing within the DoD. The audit found that although the requirements were reduced for most systems, many of the system requirements remained significantly overstated. The audits identified about \$15 billion of weapon systems and munitions that were in excess of those needed to counter the threat. In response to those findings, DoD management commenced a review of the implementation of the new requirements determination process by the Military Services.

Naval Audit Service Report Number 071-95, "Navy Amphibious Fleet Requirements"

During a crisis, the Navy must provide sufficient amphibious lift capability to support the Marine Corps for firststrike coastal assaults into unfriendly areas. During peacetime, those same amphibious ship assets, carrying Marine Corps' lift are tasked with providing a continuous forward presence in selected overseas locations. The audit evaluated the amphibious fleet requirement and found that the Navy could improve its amphibious fleet program to meet fleet requirements in a fiscally constrained environment by adjusting its ship procurement plans and personnel assignments, resulting in about \$2 billion put to better use. The findings are under review by Navy management.

Naval Audit Service Report Number 049-95, "T-45 Training Systems Program"

The Naval Audit Service conducted an audit to determine whether the T-45TS Aircraft Program is effectively and efficiently managed. The Navy was planning to acquire 218 T-45A Goshawk aircraft. During the audit, the auditors worked with Navy acquisition officials



T-45A Goshawk Aircraft

to correct problems in the requirements determination computation methodology. As a result, the Navy reduced the requirements by 44 aircraft, valued at \$959 million.

Primary Challenge

The primary DoD management challenge in the acquisition oversight issue area is to get acquisition costs down so that the Department can afford a more robust weapon systems modernization program.

LOGISTICS ISSUE AREA

During the past 6 months, the four central DoD internal audit organizations issued 62 final reports covering logistics related issues. Logistics covers a wide range of activities necessary to support combatant commanders and to sustain peacetime operations and readiness. That includes supply management, weapon systems maintenance and military transportation issues.

Several actions were implemented to further improve the quality and usefulness of oversight reviews of logistics programs. That includes expanding the Joint Planning Group for Logistics to include representatives not only from the four central DoD internal audit organizations, but also from the Defense Logistics Agency and the Army Internal Review Program Office.

It also includes forming a Corporate Audit Committee on Logistics with the senior logistics commanders of the Army, Navy, Air Force, Defense Logistics Agency and senior logisticians of the Office of the Secretary of Defense and Joint Staff. That cooperative approach with senior DoD logistics managers should help to better assure that oversight reviews are more responsive to the needs of management and will provide results that can be quickly and easily applied by logisticians to solve problems and correct conditions that detract from strategic goals and objectives.

Significant Logistics Reports

The following examples exemplify the types of significant reports issued on logistics related issues.

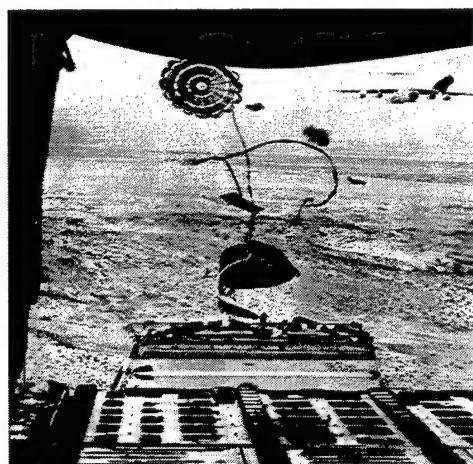
IG, DoD, Audit Report Number 95-188, "Air Force Measurement of Administrative Lead Time"

This report was one of a series of reports we issued evaluating whether efficient and effective measures were in place to monitor and, where appropriate, reduce the administrative lead time for spare parts contracts. The audit

found that the Air Force did not include the actual purchase request preparation time in its administrative lead time calculation for consumable spare parts contracts. As a result, the Air Force missed opportunities to reduce administrative lead time, inaccurately forecasted consumable item requirements, missed needed delivery dates and increased the use of urgent priority codes. The implementation of the report's recommendation will result in an estimated \$136 million put to better use during fiscal years 1996 through 2001 by reducing inventory needed to cover administrative lead time.

Air Force Audit Agency Report Number 94062002, "Management of The C-141 Center Wing Repair"

After serious cracks appeared in the center wing box of the C-141 cargo aircraft, the Air Force started the center wing box replacement program in August 1989. The audit determined that Air Force personnel did not minimize C-141 center wing box repairs. Air Force management did not reduce C-141 center wing box repairs to agree with the force structure as shown in the Air Mobility Master Plan or base the number of repairs on the center wing box acquisition plan. As a result, the Air Force could spend approximately \$10.8 million on unneeded center wing box repairs and an additional \$6.8 million for aircraft that already had upper surface repairs. Air Force management also did not establish a repair schedule coinciding with other repairs for 23 aircraft and, as a result, could miss the opportunity to save up to \$2.9 million in concurrent



C-141 Cargo Aircraft

installations with other repair requirements. Management concurred.

Air Force Audit Agency Report Number 94062004, "Depot Implementation of the Two-Level Maintenance Concept"

The Air Force Audit Agency identified opportunities for the Air Force to improve its planning and reduce the cost of maintenance for C-141 and F15 aircraft engines and avionics repairs. Specifically, logistics managers did not accurately adjust maintenance repair requirements or make timely adjustment to shop replaceable units converting to the two-level maintenance concept. As a result, the managers understated requirements by \$71.8 million and overstated requirements by \$49 million. Further, one air logistics center did not review or update equipment requirements based on availability of assets from bases converting or planning to convert to two-level maintenance. The auditors also found the Air Force did not effectively redistribute excess repair part items at bases that implemented the two-level maintenance concept. The audit identified \$2.2 million in excess repair parts at bases that no longer needed the items. Management concurred.

Primary Challenge

The primary DoD management challenge in the logistics issue area is to develop systems that are better integrated and able to support modern business practices.

CONSTRUCTION AND INSTALLATION SUPPORT ISSUE AREA

During the past 6 months, the four central DoD internal audit organizations issued 37 final reports covering construction and installation support issues. That includes significant involvement in the base closure process, which was second only to Chief Financial Officer Act compliance as a DoD internal audit priority in fiscal year 1995. The validation of cost data by DoD internal auditors was a crucial part of the management control plan for this difficult process, which will save several billion dollars. In addition to the financial cost data validation issues, we continue to respond to the Base Realignment and Closure Act (BRAC) requirement for audits of any BRAC implementation construction project whose budget costs significantly exceed the costs presented to the BRAC Commission. Our BRAC construction audits during this 6-month period resulted in 31 final reports that covered 62 BRAC military construction projects

valued at \$388 million. The audits identified \$143 million in potential monetary benefits resulting from unsupported requirements or changes in relevant planning factors. Management generally agreed with the audit results and took action to modify project plans.

Significant Construction and Installation Support Reports

The following examples exemplify the types of significant reports that we issued on construction and installation related issues.

IG, DoD, Audit Report Number 95-222, "Defense BRAC Budget Data for the Proposed Construction of the Automotive Vehicle Maintenance Facility, Guam"

The audit determined that the proposed construction of a \$2.7 million automotive vehicle maintenance facility by the Navy Public Works Center, Guam, was unneeded because existing capabilities and facilities were available. The report is representative of many similar reports we issued on other BRAC construction projects that collectively identified \$143 million in potential monetary benefits.

IG, DoD, Audit Report Number 95-300, "Quick-Reaction Report on Allegations to the Defense Hotline on the Use of Grant Funds for Construction of School Facilities on Fort Irwin, California"

The audit determined that the Army should suspend disbursing \$2 million of a \$22 million grant. The grant was legislated to build a high school and an elementary school, and refurbish the middle school on Fort Irwin, California. The Army was not timely in directing the \$2 million disbursement suspension recommended in the report. More importantly, the Army allowed the School District to cancel building a high school, and to spend the entire \$22 million on the elementary and middle schools. Those two schools are state-of-the-art educational facilities, but they are unnecessarily costly. Unfortunately, Fort Irwin students continue to be bused one and one half hours to and from the nearest high school.

Army Audit Agency Report Number NR 95-214, "Regional Training Sites-Medical Program"

The Army Audit Agency determined that only five of seven regional medical training sites will be needed to support training requirements for the medical force planned for fiscal year 1997. By closing those two training

sites, the Army audit estimated \$13.2 million in operating costs can be saved over 6 years and that the redistribution of equipment could save an additional \$23.2 million. The Army command agreed with the findings.

*Army Audit Agency Report Number AAA
WR 95-702, "Combined Defense Improvement
Projects, U.S. Forces Korea"*

The audit determined that project construction funded by the Korean government under the host nation support program frequently did not meet United States safety and quality standards, and Korean authorities did not promptly respond to correct construction deficiencies. Bilateral agreements did not give Army engineers the authority to compel contractors to follow project design and specifications. Korean authorities did not provide detailed and timely construction schedules to U.S. engineers so that they could do adequate surveillance during the construction process. The audit recommended that the Commander, U.S. Forces Korea, negotiate with the Korean Minister of National Defense to require Korean contractors to correct deficiencies that do not meet U.S. specifications and approved project designs, and to give the U.S. Army District Engineer authority to approve construction progress payments. The audit also recommended that the U.S. Army District Engineer be provided detailed construction schedules from Korean contractors. The Command agreed with the recommendations.

Primary Challenge

The primary DoD management challenge in the construction and installation support issue area is to develop reasonable management controls that can decrease the current excessive reliance on audits to validate requirements.

AUTOMATED SYSTEMS ISSUE AREA

Managers and commanders rely on thousands of automated systems to perform both operations and support functions. Audits in all functional areas focus increasingly on automated systems problems and the opportunities to couple business process improvements with the modernization and consolidation of the vast array of DoD systems. During the reporting period, 27 audit reports were issued that focused exclusively on automated systems, although portions of many other reports also addressed issues in this area.

Significant Automated Systems Reports

The following examples illustrate work being done in this area.

IG, DoD, Audit Report 95-201, "Management of the Global Command and Control System"

Management controls needed improvement to reduce risk in fielding the Global Command and Control System, which will replace the World Wide Military Command and Control System. The Assistant Secretary of Defense (Command, Control, Communications and Intelligence) and Director, Joint Staff, agreed with audit recommendations to institute a more disciplined acquisition process with Major Automated Information Systems Review Council review and more comprehensive planning for logistics support, test and evaluation.

IG, DoD, Audit Report 95-269, "Oversight Process of the Major Automated Information Systems Review Council"

The Major Automated Information Systems Review Council process should be improved and reorganized along the lines of the Defense Acquisition Board process. Greater coordination is also needed between the Council staff and DoD Corporate Information Management initiatives. Management generally agreed. Corrective actions will include specifying procedures for testing, improving Council documentation, clarifying management oversight responsibilities and strengthening controls for incrementally developed systems.

*Air Force Audit Agency Report 94066002,
"Configuration Management of Mission Critical Computer Resources Within Air Force Materiel Command"*

Management planning for Air Force-maintained critical computer resources needed improvement. Specifically:

- Software maintainers did not effectively perform the software configuration management process. As a result, the auditors identified three instances where program offices delayed maintenance efforts and expended over \$5.1 million in additional funds to prepare documentation, establish configuration baselines, and perform configuration audits that should have been completed when the software was originally accepted.

- Software libraries did not contain adequate documentation to support the configuration baselines. As a result, system personnel could not obtain configuration documents, including specifications and software updates, from the libraries when needed and, therefore, lost time and spent additional funds to obtain the information from contractors.
- Software maintainers had not established an adequate software configuration status accounting system. As a result, program office personnel did not have enough information on their project software configuration to make fully informed program decisions. For example, the Chief, Configuration Management and Control, incurred approximately \$140,800 to reconstruct the configuration status for the Defense Meteorological Satellite Program.

Management concurred.

Primary Challenge

The primary DoD management challenge in the automated systems area is to change the mindset that has dominated DoD systems managers for several decades--that mindset being the conviction that multiple, non-integrated systems serving parochial "stove pipe" needs were the only feasible way to furnish responsive automated system support. Data element standardization, emphasis on integrated systems and exploitation of modern technology must be aggressively pushed if the DoD hopes to cut support costs while improving performance in all functional areas.

HEALTH CARE ISSUE AREA

Ten audit reports were issued in this important area. Two examples follow.

IG, DoD, Audit Report 95-225, "Aeromedical Evacuation System," and Air Force Audit Agency Report 93051011, same title

A joint audit determined that in most cases, transporting DoD military health care system patients from one military care facility to another by air was unnecessary. The DoD could save as much as \$258 million over 6 years by relying on equally effective, but far less costly, alternative local sources for health care. Management generally concurred, and some adjustments should be reflected starting with the budget for fiscal year 1997.

Army Audit Agency Report NR 95-214, "Regional Training Sites-Medical Program"

Army auditors found that only five of seven Regional Training Sites will be needed to support training requirements for the medical force planned for fiscal year 1997. Closing two sites would enable the Army to avoid \$13.2 million in site operations costs over 6 years. In addition, redistribution of equipment would save another \$23.2 million. Also, medical training sites were not operated by contractor personnel in the most cost-effective manner. The statement of work for the contract overstated staffing requirements, and the Command had no documentation to support workload requirements in the contract. Command agreed.

Primary Challenge

The primary management challenge is to reduce costs without degrading either the quality of medical care or the readiness to provide wartime care.

MILITARY DEPARTMENT INSPECTIONS

In addition to the Military Department central internal audit organizations, each Military Department also maintains inspection/internal review organizations. The following are examples of the types of reports those organizations issued during this 6-month period.

The Inspector General, U.S. Army, Europe, and Seventh Army, conducted an inspection to assess quality of life standards. The inspection concluded that no community was yet meeting all quality of life standards and that the degree of compliance, command emphasis and progress toward attainment of the individual standards varied from mediocre to very good. The report concluded that all U.S. Army, Europe, units were working aggressively to create a climate that facilitates combat readiness and the provision of the equitable quality of life commensurate with population levels and resources.

The Navy command inspection of the Naval Training Center, Great Lakes, Illinois, determined that center satisfactorily accomplished its mission responsibilities for recruiting; initial skill, advanced and specialized training; maintaining and operating facilities; providing administrative and logistic support to tenant activities; and performing other functions and tasks assigned by higher authority. Deficiencies were found, however, in the areas of explosive safety, information and operations security, hazardous material control, urinalysis program and environmental protection. The inspection also brought to light

significant administrative weaknesses in contract management and serious concerns in bachelor quarters and mess management specialists manning. The inspection concluded that the apparent shortfalls had an impact on the morale, health and well being of assigned personnel and service to customers, and that the shortfalls could require the closure of some facilities to keep others open.

Air Force inspectors conducted a weapons safety functional management review that assessed the effectiveness of management programs, guidance and training used to establish and implement unit-level weapons safety programs focusing specifically on explosives safety and nuclear safety.

The Marine Corps Inspection Division inspected 16 commands and units and found that all functional areas inspected were mission capable. All findings and discrepancies found were considered to be within the ability of the command or unit to correct.

FOLLOWUP ACTIVITIES

The IG, DoD, provides policy for and oversight of the audit followup programs of the Military Departments and Defense Agencies. All DoD components now follow congressional, OMB and DoD followup requirements.

Success Stories

The following are examples of completed corrective actions resulting in positive improvements in the Department.

Transportability of Major Weapon and Support Systems

The Army agreed that the Armored Gun System (AGS) would complete a successful Low Velocity Air Drop (LVAD) from a C130 aircraft before the AGS entered low rate initial production. At the time of the audit, the AGS was approximately 1,200 pounds over the C130 LVAD item weight limit of 35,500 pounds. Consequently, the Army initiated a weight reduction program to ensure a successful LVAD from a C130 (also a contract requirement). On June 29, 1995, the AGS completed a successful LVAD at Fort Pickett, Virginia. Representatives who observed the drop from the Army test and evaluation community and the IG, DoD, were impressed with the LVAD, as well as the accuracy of the AGS after the test firing. (OAIG-AUD 94-024)

Hover Infrared Suppression System (HIRSS)

A 1991 IG, DoD, audit report found that the Army had not competitively procured Hover Infrared Suppression System (HIRSS) core kits due to lack of timely action to develop a competitive technical data package. As a result, the Army lost the opportunity to realize approximately \$18.3 million in cost savings and additional potential savings on future buys of HIRSS core kits needed for the balance of the UH60 Black Hawk helicopter fleet. Based on elevation of the issue to the Assistant Secretary of the Army (Research, Development and Acquisition), the Army was required to procure 208 HIRSS core kits competitively,



UH60 Black Hawk Helicopter

resulting in a savings of \$734,000. The current contract also contains a priced option for 86 additional core kits at a unit price of \$52,000, which will be an additional savings of \$303,580. (OAIG-AUD 91-117)

Use of Contractor Cost and Schedule System Data

Contractor Cost and Schedule Control (C/SC) systems ensure that DoD contractors have effective management control mechanisms and that DoD managers have accurate and timely information on which to make management decisions. A 1993 IG, DoD, audit report indicated that although the DoD had made significant efforts to improve the implementation and oversight of C/SC systems, further improvements were needed.

Management indicated that it appreciated the efforts to coordinate the audit objectives with ongoing DoD initiatives and was confident that the respective activities would lead to improvements in the acquisition process. Subsequently, the DoD took a series of actions to increase participation by the Defense Contract Management Command and the Defense Contract Audit Agency in system reviews, improve coordination and standardization of reviews, ensure a thorough review of performance baselines soon after contract award, improve the planning and targeting of reviews to focus on high-risk contracts and subcontracts, establish a data base to record deficiencies and track corrective actions, and improve the coordination and integration between cost estimating reviews and other contract administration reviews. When some of the formal mechanisms for implementing corrective actions were impacted by reorganizations and initiatives such as acquisition reform, the DoD identified and implemented alternative mechanisms to accomplish the intent of the recommendations.

The DoD continues to pursue improvements in the use of C/SC systems. It has recently been pursuing more joint DoD/industry cooperation to reduce inefficient reporting requirements while preserving the basic framework and principles of the system, increased use of electronic data interchange, improved training and certification of the workforce, and reductions in duplication of effort. (OAIG-AUD 93-067)

Significant Incomplete Corrective Actions

The DoD managers devote significant time and resources to implementing IG, DoD, and GAO recommendations. Hundreds of agreed-upon corrective actions are tracked by the IG, DoD, and are generally carried out in a timely manner, but instances of slippage or incomplete implementation do occur, as illustrated by the following examples.

Army Warranty Programs

A 1989 IG, DoD, audit found that the Army was paying for contract warranty clauses that were not effectively implemented. The report recommended that the Army establish policy to preclude conflicting contract warranty clauses, and to determine the Government's ability to meet warranty requirements before including them in warranty clauses. A subsequent 1990 audit recommended that the Army complete ongoing action to clarify policy on warranty issues and outline basic cost-effectiveness considerations for threshold-type warranties. The Army agreed to include the guidance in a revised Army regulation targeted for completion in December 1989. Due to a series of delays, however, staffing of the regulation for issuance is still ongoing. (OAIG-AUD 89-103, 90-002)

Environmental Management and Compliance

Problems with the DoD management of environmental issues have been documented in numerous audit and inspection reports over the past several years. A revision to DoD Directive 5100.50, "Protection and Enhancement of Environmental Quality," May 24, 1973, was initiated in March 1994 to incorporate environmental policies and compliance requirements into a single directive with implementing instructions. The final draft of the Directive (retitled "Environmental Security") was issued for recoordination June 21, 1995. Some of the implementing instructions have already been coordinated and will be finalized as soon as the Directive is published. The implementation status of 29 recommendations in 14 reports dealing with environmental issues is currently being monitored. Followup on those actions is being coordinated through the Environment, Safety, and Occupational Health Policy Board (ESOHPB). The ESOHPB was established by the Defense Environmental Security Council to coordinate and integrate participation of the many functional areas involved in environmental security matters. One goal is to get the

environmental directive revised and implementing procedures published in subordinate DoD instructions. (OAIG-AUD 92-011, 92-103, 93-090, and 94-020; OAIG-INS 90-14, 91-10, 93-06, and 93-08; GAO RCED 90-96, NSIAD 92-21, NSIAD 92-117, NSIAD 93-50, NSIAD 94-243, and NSIAD 94-168)

Procurement of Services by Interagency Agreements Under the Economy Act

The IG, DoD, conducted several audits that evaluated DoD acquisition of supplies and services by interagency agreements under the Economy Act. The DoD used the interagency agreements and orders to obtain contracting support from the Tennessee Valley Authority and the Department of Energy. The audits disclosed that the DoD did not establish adequate controls over Economy Act orders issued for goods and services. The OIG recommended that the DoD establish procedures to prevent the use of Economy Act orders to circumvent acquisition laws, define requirements for Federal information processing resources, establish a tracking system for the orders and establish controls over classified information.

The Defense Acquisition Regulation (DAR) Council agreed to develop and issue appropriate changes to the Federal Acquisition Regulation (FAR). The DAR Council developed and promulgated a revision to the FAR; however, publication of the change is on hold pending the review of language that implements the Federal Acquisition Streamlining Act of 1994.

The Assistant Secretary of Defense for Economic Security reissued DoD Instruction 4000.19, "Interservice and Intra-governmental Support," on August 9, 1995, with an effective date of October 1, 1995. The instruction included the policy guidance recommended by the OIG, DoD. (OAIG-AUD 92-069, 93-042, and 94-008)

International Cooperative Research and Development (ICR&D)

A 1993 audit indicated the Military Departments and Defense Agencies had not aggressively pursued ICR&D programs, which can reduce duplication of weapons research and development and enhance interoperability and standardization. The Office of the Secretary of Defense had not centralized authority and responsibility for ICR&D. The

DoD regulation that provides guidance for the establishment and management of ICR&D programs, previously recommended for update by prior audits, has been under revision for about 5 years.

In June 1993, the Deputy Secretary of Defense established the Armaments Cooperation Steering Committee, chaired by the Under Secretary of Defense for Acquisition and Technology, to provide oversight and to assure appropriate priority for armaments cooperation activities, as well as to resolve internal disputes concerning ICR&D. The Committee concluded that issuance of the ICR&D regulation would be premature and that guidance would be issued on an interim basis as it is developed. Pending development of international armaments cooperation strategy, the Committee has not set a date for issuance of a revised regulation; however, the involvement of senior DoD managers in this issue is a very positive sign. (OAIG-AUD 93-009)

DoD Disability Discharge Procedures

A 1992 IG, DoD, audit report on DoD medical discharge procedures was critical of the timeliness, accuracy and consistency of disability ratings and awards and the excessive cost of disability compensation. In response to the report, the Assistant Secretary of Defense (Health Affairs) chartered a work group to study the Medical Evaluation Board/Physical Evaluation Board process, improve it and recommend appropriate automation using the Corporate Information Management methodology. The work group developed 14 recommendations that would restructure and streamline the entire Disability Evaluation System. The recommendations were accepted by the Under Secretary of Defense for Personnel and Readiness on February 28, 1994. The audit recommendations have been reviewed, and the new directive and instruction have been submitted for review and approval. We estimate that the DoD would avoid \$839.3 million in costs over the Future Years Defense Program by reengineering its disability system operations. (OAIG-AUD 92-100)

Government-Furnished Property Plant Clearance

Excess Government-owned property at contractor locations was not properly screened for reutilization through the Contractor Inventory Redistribution System (CIRS). The Office of the Assistant Secretary of Defense

(Production and Logistics) projected the December 1991 implementation of an agreed-upon automated plant clearance reutilization process for reporting excess property at contractor locations to facilitate the identification and recovery of property by the Integrated Material Managers. The Defense Contract Management Command (DCMC) applied the resources necessary to complete implementation of the Plant Clearance Automated Reutilization Screening System (PCARSS). The DCMC initiated action to contract out the remaining development and deployment of PCARSS; however, due to the loss of a contractor, final deployment is now projected for April 1996. (OAIG-AUD 90-043)

Government Property Accountability

In March 1991, the Deputy Comptroller (Management Systems) issued the revised DoD 7200.10-M, "Department of Defense Accounting and Reporting for Government Property Lost, Damaged or Destroyed," to require the assessment of financial liability when Government property is lost, damaged or destroyed as a result of simple negligence. A July 1992 followup review revealed that the Navy failed to issue policy and procedures to implement the revised DoD 7200.10-M. The Army, the Air Force and the Defense Logistics Agency issued implementing guidance. Staff efforts to resolve the lack of Navy implementation were unsuccessful, and the compliance issue was elevated by the Deputy Inspector General to the Deputy Secretary of Defense.

The Office of General Counsel (OGC), DoD, reviewed the January 4, 1993 Deputy Inspector General memorandum to the Deputy Secretary of Defense and concluded that legal basis did not exist to compel the Navy to proceed with implementation of DoD 7200.10-M. In accord with the OGC opinion, the Deputy Inspector General requested the Under Secretary of Defense (Comptroller) to draft the necessary regulation or other appropriate policy issuance for Secretary of Defense signature to require that all military personnel and DoD civilians be held financially liable when Government property is lost, damaged or destroyed due to simple negligence.

The DoD Directive 7200.11, "Liability for Government Property Lost, Damaged or Destroyed," October 26, 1993, establishes the property liability policy and authorizes the

publication of implementing procedures. The current projected publication date for implementing procedures is December 1995. (OAIG-AUD 84-061)

William Langer Jewel Bearing Plant

The audit was conducted to verify new information provided in the final management comments to OIG Report 91-029. The follow-on audit confirmed the prior finding that there is no military requirement for the quantities of jewel bearings in the order of magnitude produced by the William Langer Jewel Bearing Plant and stockpiled by the DoD. Also, the follow-on audit substantiated the auditors' position that the Plant's dosimeter operations should not be managed by the DoD.

The Office of the Under Secretary of Defense for Acquisition and Technology generally agreed but noted that a final position on procedures for establishing jewel bearing requirements and disposition of the plant would be determined on completion of the Institute for Defense Analyses (IDA) review of jewel bearing requirements. The IDA study of National Defense Stockpile requirements for jewel bearings has been completed. The Assistant Secretary of Defense (Economic Security) accepted the major conclusions of the study that there is no longer a need to stockpile jewel bearings or maintain Federal Acquisition Regulation (FAR) provisions requiring the Federal Government contractors to purchase jewel bearings from the plant.

Action has been initiated to expedite disposal of the plant and delete the applicable FAR provisions. The current projected completion date is December 31, 1995, for development of procedures and presentation of the Langer Plant to the General Services Administration. The Defense Logistics Agency contract administration of the Langer Plant, including dosimeter operations, will continue until disposal of the plant. (OAIG-AUD 91-029A)

Military Health Facility Planning

The OIG, DoD, working jointly with the OIG, Department of Veterans Affairs, identified improvements that need to be made in determining requirements for joint military/Veterans Administration hospital facilities. In evaluating a proposal in 1991 for a \$75.3 million hospital facility at Nellis Air Force Base, the joint review found that the planned hospital

was not economically justified and that the potential work load would not support the planned hospital. The hospital was subsequently completed in 1994 and, as predicted, is underutilized. In response to press criticism of the underutilization, the Air Force and Department of Veterans Affairs issued the "Joint Report by the Veterans Health Administration and the Office of the Air Force Surgeon General on the Nellis Federal Hospital" on September 1, 1995. The report attributed the underutilization primarily to the same factors cited in our 1991 audit findings--decreases in inpatient length of stay and decreases in the active duty military population during the project design phase.

Although various DoD offices contested the audit findings in 1991 and similar reports later, the Department is working to improve the rigor and reliability of the processes used to determine its health care facility requirements. That effort is nearing completion, but the same type of process reengineering is needed for other facilities planning, especially for commissaries and for construction related to base closures. Due to continued concern that previously cited deficiencies remain uncorrected, we requested that the Office of the Assistant Secretary of Defense (Health Affairs) (OASD(HA)) action to issue the revised DoD Instruction 6015.17, "Planning and Acquisition of Military Health Facilities," be expedited or that alternative measures to address the deficiencies be examined and pursued as appropriate. (OAIG-INS 90-19, OAIG-AUD 93-039, 93-047)

In response to the Inspector General Act Amendments of 1988, Appendix E lists OIG, DoD, audit reports for which action has been ongoing for a year or more after managers agreed to take action.

AUDIT POLICY AND OVERSIGHT

The Audit Policy and Oversight (APO) Directorate provides policy for and oversight of the internal audit, internal review and nonappropriated fund audit activities within the DoD. The APO Directorate also provides technical assistance to the DoD audit organizations on the Chief Financial Officer's (CFO) audit function.

The following actions were accomplished during this period:

Report on the Oversight Review of the Internal Quality Control Program of the Army Audit Agency (APO 95-006)

The objective of the review was to evaluate the internal quality control program established by the Army Audit Agency (AAA) to ensure it complies with Government Auditing Standards and DoD policies. We found that the AAA internal quality assurance program was adequately designed in that policies and procedures were developed which provide reasonable assurance that audit work will comply with professional standards. Our review concluded the AAA has adequately implemented those policies and procedures. The internal quality assurance reviews conducted were thorough and well documented. We recommended that the Auditor General revise AAA Regulation 36-62 to require adjudication by top agency management of disputed facts and conclusions in quality assurance reviews. The AAA concurred with the recommendation and provided information on plans to correct the deficiency found.

Report on the Oversight Review of the Organization and Staffing of the DoD Audit Organizations for Audits of Financial Statements (APO 95-010)

The objectives of this review were to determine whether (1) the organizational structure of the DoD audit organizations for audits of financial statements pinpoints responsibility and provides for accomplishment of CFO audit responsibilities in an efficient and effective manner, and (2) financial statement audits are staffed with qualified and properly trained individuals. Although, each of the audit organizations is organized differently, the structure employed generally pinpointed responsibility and was conducive to accomplishing CFO audit responsibilities in an efficient and effective manner. The OAIG-AUD made major changes in the way financial audits were conducted within the DoD to remedy past problems. We found that improvements were needed in training auditors assigned to financial audit statements and that the audit organizations needed to develop procedures on audit staff assignments to ensure

continuity of the audits. Actions taken or planned by the Military Department audit organizations satisfy the intent of all our recommendations.

Review of the Allegations Concerning the Army Audit Agency Examination of Space Requirements for the Fort Belvoir Headquarters Complex (APO 95-011)

The Defense Logistics Agency (DLA) alleged that the AAA inappropriately conducted the review and that (1) the review was simply to document "excess" space, (2) the DLA and the Defense Contract Audit Agency were excluded from participating in in-process briefings or were not allowed to comment on the audit report, and (3) the AAA lacked comprehension of the DLA business environment and practices. We found that the allegations were unfounded, but, with the exception of the audit team supervisor, the five auditors assigned to the team had no audit experience in the specific functional area covered by the review. Those resources could have been better used by the AAA in its primary areas of expertise. In addition, the AAA did not communicate to all organizations affected by the review that it was doing a consult rather than an audit, which led to confusion about the nature, scope and status of its review. We recommended that the AAA not engage in consulting services outside its area of expertise and that the AAA make all parties to an engagement aware

of the nature of future engagements. The Auditor General strongly disagrees with the conclusions and recommendation on consulting services and has requested the report be revised and reissued. Adjudication and resolution are pending.

Review of the Naval Audit Service (NAS) Audit of Ships' Stores Conversion

The Congress included a requirement in the Fiscal Year 1994 Authorization Act that the Navy convert ships' stores from appropriated to nonappropriated fund operation. The Authorization Act for Fiscal Year 1995 included a requirement for NAS to audit the costs and benefits of the conversion. As part of our review of audit coverage of the exchange services, we conducted an oversight review of the NAS audit. We found that although the legislation called for a review of the costs and advantages of the conversion, the NAS audit focused on the costs and disadvantages. We also found that other aspects of the audit did not comply with auditing standards. Specifically, conclusions were based on conversation with management rather than independent evaluation of source documentation. We recommended that NAS withdraw its report and expand audit coverage as necessary to fully support the audit conclusions. The NAS chose to issue an addendum to the audit report clarifying the sources of information used to develop audit conclusions.

EXHIBIT 8a
DECISION STATUS OF INSPECTOR GENERAL ISSUED REPORTS
WITH QUESTIONED COSTS
(\$ in thousands)

Status	Number	Questioned Costs
A. For which no management decision had been made by the beginning of the reporting period.	1	\$99
B. Which were issued during the reporting period.	0	0
Subtotals (A + B)	1	\$99
C. For which a management decision was made during the reporting period.	1	\$99
(i) dollar value of disallowed costs.		\$99
(ii) dollar value of costs not disallowed.		0
D. For which no management decision has been made by the end of the reporting period.	1	0
Reports for which no management decision was made within 6 months of issue. ¹	0	0

¹The Military Departments also report no undecided internal audit reports over 6 months old.

EXHIBIT 8b
DECISION STATUS OF INSPECTOR GENERAL ISSUED REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE
(*\$* in thousands)

Status	Number	Funds Put to Better Use
A. For which no management decision had been made by the beginning of the reporting period.	82	\$1,917,820
B. Which were issued during the reporting period.	150	4,448,359
Subtotals (A + B)	232	6,366,179
C. For which a management decision was made during the reporting period.	179	1,855,392
(i) dollar value of recommendations that were agreed to by management:		
- based on proposed management action.		302,101
- based on proposed legislative action.		302,101
(ii) dollar value of recommendations that were not agreed to by management.		0
		1,553,291¹
D. For which no management decision has been made by the end of the reporting period.	53	4,510,787
Reports for which no management decision was made within 6 months of issue. ²	1	436,200

¹On certain reports with audit estimated monetary benefits of \$316 million, it has been agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.

²OIG Report 94-140, "Quick Reaction on Acquisition of the Standard Missile II with Block IIIB Upgrade," June 16, 1994. The Military Departments report no undecided internal audit reports over 6 months old.

EXHIBIT 9
STATUS OF ACTION ON CENTRAL INTERNAL AUDITS

Status of Action	Number of Reports	Questioned Costs¹	Funds Put to Better Use
IG, DoD			
Action in Progress - Beginning of Period	219	\$12,410	\$476,984
Action Initiated - During Period	180	—	302,101
Action Completed - During Period	157	—	680,206
Action in Progress - End of Period	242	12,410	508,364²
Military Departments			
Action in Progress - Beginning of Period	416	—	9,623,024
Action Initiated - During Period	179	—	2,471,286
Action Completed - During Period	173	—	1,993,745
Action in Progress - End of Period	422	—	7,801,391

¹None of the questioned costs involve unsupported costs.

²Does not include the \$316 million referenced in Exhibit 8b pertaining to actions on which there is agreement that an estimate of monetary impact at this point is infeasible.

This page left blank intentionally

CHAPTER 2 - CONTRACT AUDITS

DEFENSE CONTRACT AUDIT AGENCY SIGNIFICANT CASES

Audit Results

During the period, the Defense Contract Audit Agency (DCAA) examined over \$157 billion of incurred costs and contract proposals, took exception to nearly \$2 billion and recommended that over \$6.2 billion be put to better use (see Exhibit 10, page 25). Also, the DCAA examined the National Aeronautics and Space Administration program costs totaling \$1.9 billion with questioned costs of \$44.1 million. Net savings of \$167.1 million were realized for those audit reports dispositioned during the period. Also during the period, the DCAA completed operational audits with total associated annual cost avoidance recommendations sustained of \$82.5 million. Exhibit 11 (page 25) shows results of contract audit reports closed during the period.

Incurred Costs Audits - A review of the direct and indirect costs charged to Government contracts to determine that the costs are reasonable, allocable and allowable, as prescribed by the Federal Acquisition Regulation, the Defense Federal Acquisition Regulation Supplement and the provisions of the contract. Also included under incurred costs audits are Operation Audits, which evaluate a contractor's operations and management practices to identify opportunities for increased efficiency and economy, and Special Audits, which include audits of terminations and claims.

Delay Claim and Termination Settlement

An audit of a delay claim and termination settlement proposal resulted in savings of \$1 million and \$800,000, respectively. Craftsman, Incorporated, stated the basis of the claim and proposal was the discovery of asbestos during fire and safety renovations of a Veterans Administration hospital. The auditor questioned unabsorbed overhead and subcontract costs related to the delay claim and subcontractor and other costs related to the termination settlement proposal. Seven years after the audits, the auditor reviewed, analyzed and summarized additional data to assist in the negotiations and prepare to testify in Bankruptcy Court. At the request of the Department of Justice, the

auditor analyzed the settlement offer by the Bankruptcy Trustee. The auditor position was the baseline that resulted in the savings obtained. (3511-7G172413 and 1161-7G171133)

University Costs

An audit of incurred costs submitted by the University of Pennsylvania for fiscal years 1985 through 1991 resulted in savings of \$10.3 million. The auditor questioned unallowable costs, such as sponsorship of a local amusement park, entertainment, public relations and legal costs related to alumni activities, fundraising, gift and banquet activities. Also, in 1988 the university made numerous changes in its allocation methods that significantly increased claimed indirect costs rates. The university revised its submissions for 1985 through 1987 and based later year submissions on the revised allocation methods. The auditor questioned the costs related to the changes since the submissions were based on retroactive accounting changes. (6381-86B14010006-S1)

Relocation Costs

The auditor found the ICF Kaiser Engineers claimed:

- unsupported foreign relocation costs,
- unsupported consultant, legal and temporary services,
- unallowable costs related to executive compensation, severance, entertainment, goodwill, legal contingencies, relocation and reorganization expenses,
- unallocable fringe benefit and home office costs, and
- duplicate and triplicate costs for medical insurance, executive severance and taxes.

The auditors also questioned a significant amount resulting from the difference between the contract ceiling and claimed overhead rates on a large Navy contract. As a result of the audit, the Government saved \$7.02 million. (4141-91H1401007)

Equitable Adjustment

An audit of a contractor's equitable adjustment proposal resulted in savings of \$593,000. The original firm-fixed-price contract to the Dan Foster Company provided for the alteration of an underground steam line. The contractor's proposal alleged 147 days of Government-caused delay due to differing site conditions and errors in Government drawings. The auditors questioned the proposal since there was little evidence that increased costs were actually paid. The contracting officer concurred, and the contractor submitted a certified claim alleging 316 days of Government-caused delay. The auditors also questioned that claim. The Resident Officer in Charge of Construction concurred and issued a complete denial of the claim. The contractor appealed to the Armed Services Board of Contract Appeals where the claim was again denied. (6341-91K1720002)

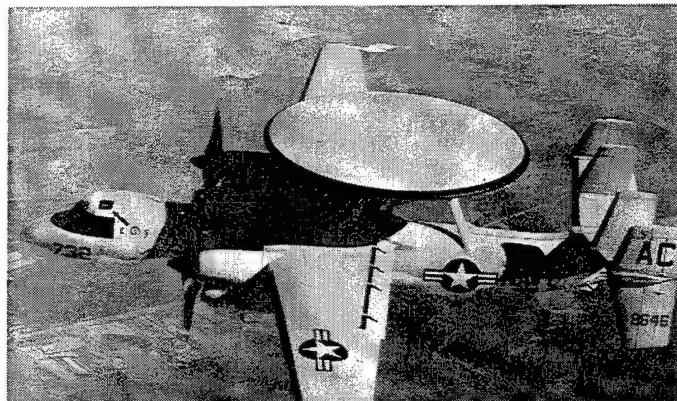
Indirect Costs

An audit of a contractor's fiscal year 1989 incurred indirect costs resulted in savings of \$910,000. In the prior year, the contractor, through a stock purchase agreement, became a wholly-owned subsidiary of a major defense firm. As a result of the purchase, the contractor entered into salary bonus agreements with selected employees. The contractor claimed the additional bonuses as employee compensation in its indirect cost submission. The auditors found the bonuses were not the result of employee performance, but rather, were part of the purchase price and contingent on the acquisition by the defense firm. (Assignment # not available)

Termination Settlement

An audit of a termination settlement proposal by the Allison Gas Turbine Division of the General Motors Corporation found the proposed tooling was used on other contracts, the same tooling was purchased before the effective date of the terminated portion of the contract or the contractor was unable to locate the proposed tooling. In addition, a detailed analysis of the contract revealed the contractor proposed a \$1.4 million item that was not within the scope of the contract. The Termination Contracting Officer agreed with the auditor, and the Government saved \$14.8 million. (1621-91A17100001)

Forward Pricing Proposal Audits - A review of estimated future costs of proposed contract prices, proposed contract change orders, costs for



AWACS Aircraft

redeterminable fixed-price contracts and costs incurred but not yet covered by definitized contracts.

Labor Hours

An audit of a Boeing Defense and Space, Oak Ridge Incorporated, proposal for manufacturing the Airborne Warning and Control Systems (AWACS) resulted in savings of \$6.6 million. The proposed labor hours were overstated because the contractor did not consider labor hour variance data available for previous AWACS manufactured at other contractor locations. Further, the proposal included a significant increase in labor hours because the production process will be moved across the country. The approach ignores that Boeing has a consolidated manufacturing program that eliminates most lost learning associated with moving production processes from location to location. (1481-93A21000009)

Manufacturing Support

An audit of a Lockheed Fort Worth Company firm-fixed-price proposal for manufacturing support and recurring tooling resulted in savings of \$301 million. The audit found the proposal included costs that were in pricing actions previously negotiated with the contractor, outside the contract scope of work and based on historical data not representative of normal tooling costs experience. The historical data used was not representative because it included a period in which the contractor experienced significant quality and tooling problems. The auditors recommended alternate historical data that yielded a more reasonable basis to project future costs. (3711-94A21000030)

Delivery Schedule Change

An audit was conducted of a Thiokol Corporation proposal initiated as a result of a Government-

EXHIBIT 10¹
CONTRACT AUDIT REPORTS ISSUED - DEFENSE CONTRACT AUDIT AGENCY
(For the 6-month period ending September 30, 1995)
(Dollar amounts in millions)

Type of Audit	Reports Issued	Examined	Audit Exceptions	Funds Put to Better Use ⁴
Incurred Costs	24,451	\$69,258.0	\$1,694.2	N/A
Forward Pricing Proposals	8,902	88,096.2	N/A	\$6,212.8
Cost Accounting Standards	3,156	115.9	65.1	N/A
Defective Pricing ²	1,467	--	149.0	N/A
Other ³	7	--	--	N/A
Total	37,983	\$157,470.1	\$1,908.3	\$6,212.8

¹Because of limited time between availability of management information system data and legislative requirements, there is a minimal opportunity for the DCAA to verify accuracy of reported data. Accordingly, submitted data are subject to change based on subsequent DCAA authentication.

²Defective pricing dollars examined are not reported because they are considered a duplication of forward pricing dollars reported as examined.

³Relates to suspected irregular conduct cases.

⁴Cost avoidance.

EXHIBIT 11¹
CONTRACT AUDIT REPORTS CLOSED² - DEFENSE CONTRACT AUDIT AGENCY
(For the 6-month period ending September 30, 1995)
(Dollar amounts in millions)

Type of Audit	Reports Closed	Audit Exceptions	Disallowed Costs	Funds Put to Better Use ³
Incurred Costs	1,857	\$ 926.2	\$676.6	N/A
Forward Pricing Proposals	6,723	3,402.6	N/A	\$872.1
Cost Accounting Standards	61	28.3	14.5	N/A
Defective Pricing	124	147.0	73.3	N/A
Total	8,765	\$4,504.1	\$764.4	\$872.1

¹Because of limited time between availability of management information system data and legislative requirements, there is minimal opportunity for the DCAA to verify accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication.

²Represents audit reports issued to procurement and/or administrative contracting officers that had audit exceptions upon which final contracting officer decisions were rendered during the period.

³Cost avoidance.

directed delivery schedule change. Two different production rate schedules were examined that spanned several years and included unique and complex pricing issues. The proposal included \$1.9 billion for work deleted and \$2.6 billion for work added. The audit examined the impact of changes in the indirect rate elements of fixed and variable expenses and the impact to the overall contractor business base. The audit also examined the impact of changes in manpower levels, such as reductions in force, promotion levels and merit increases. As a result of the audit, the Government saved \$14 million. (3411-94C21000009)

Computer Hardware

Savings of \$11.4 million resulted from the audit of a firm-fixed-price proposal by BMY Combat Systems for the production of 126 M9 ACE vehicles. The auditors questioned costs due to overstated subcontract costs not appropriately decremented to reflect history, proposed materials that should have been classified as Government furnished material, overestimated material quantities, overstated proposed labor hours not based on lower historical hours and indirect rates that exceeded recommended indirect rates. (6291-93C21000005)

Cost Accounting Standards (CAS) Audits--A review of a contractor's cost impact statement required due to changes to disclosed practices, failure to consistently follow a disclosed or established cost accounting practice or noncompliance with a Cost Accounting Standards regulation.

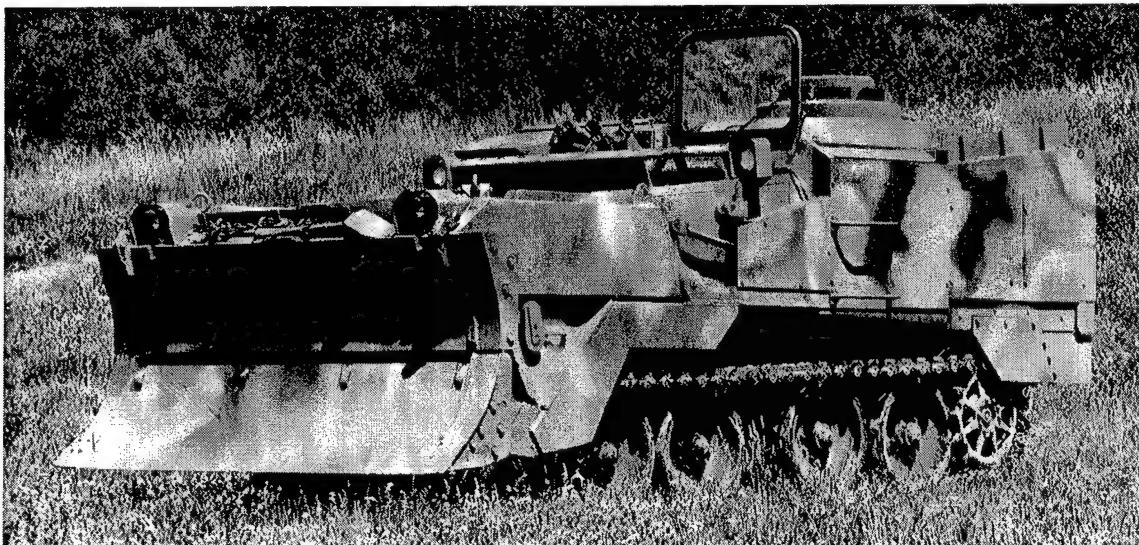
Home Office Expenses

An audit of Abex/NWL Aerospace proposed forward pricing and provisional billing rates disclosed cost accounting and Federal Acquisition Regulation noncompliances. Home office expenses were not separately identified and allocated to foreign segments. Since all segments were not receiving home office allocations, Government contract prices were overstated. Additionally, the contractor included state franchise tax in its general and administrative rate, but had a net operating loss carry forward, and did not pay any state tax. Based on the audit, the Government saved \$1.3 million. (4361-94M19500028)

Defective Pricing Proposal Audits--A review to determine whether contracts are based on current, complete and accurate cost or pricing data (the Truth in Negotiations Act).

Price Adjustment

An audit of two firm-fixed price contract modifications from McDonnell Douglas Training Systems Corporation resulted in savings of \$2.2 million. One recommended price adjustment related to the contractor's failure to disclose a cost/price analysis on a key subcontract proposal prior to certification of the cost or pricing data and prior to negotiation of the contract. An additional adjustment was recommended because the contractor proposed the full purchase price for major parts and failed to disclose it had parts in inventory which, after modification, could be provided to the Government at a lower cost. (3421-94C42098001)



M9 ACE Vehicle

EXHIBIT 12
CONTRACT AUDIT REPORTS ISSUED - U.S. ARMY CORPS OF ENGINEERS
(For the 6-month period ending September 30, 1995)
(Dollar amounts in millions)

Type of Audit	Reports Issued	Examined	Audit Exceptions	Funds Put to Better Use*
Incurred Costs	43	\$81.8	\$5.7	N/A
Forward Pricing Proposals	54	22.6	--	\$1.9
Defective Pricing	2	1.6	.2	N/A
Other	8	2.1	.3	N/A
Total	107	\$108.1	\$6.2	\$1.9

*Cost avoidance.

EXHIBIT 13
CONTRACT AUDIT REPORTS CLOSED - U.S. ARMY CORPS OF ENGINEERS
(For the 6-month period ending September 30, 1995)
(Dollar amounts in millions)

Type of Audit	Reports Closed	Audit Exceptions	Disallowed Costs	Funds Put to Better Use
Incurred Costs	27	\$4.0	\$2.6	N/A
Forward Pricing Proposals	40	\$1.5	--	\$1.3
Defective Pricing	6	1.3	.2	N/A
Other	3	--	--	N/A
Total	76	\$6.8	\$2.8	\$1.3

Capital Investments

When the Abex/NWL Aerospace forward pricing bid rate proposal contained a significant increase in depreciation, an audit of capital investments was initiated. The audit found the authorized capital equipment purchases and resulting effects on labor standards were not properly communicated to the contractor's pricing department. The contractor, which had multiple low-dollar firm-fixed-price contracts and subcontracts, did not concur with the audit finding and declined to compute the impact. The auditors coordinated with the affected contracting offices and prime contract audit offices in determining the impact, and then established a settlement agreement to resolve the issue. As a result, the Government saved \$651,000. (4361-90T23000441)

ARMY CORPS OF ENGINEERS**Significant Audits**

Auditors issued 107 reports that examined \$108.1 million and recommended that \$1.9 million be put to better use (Exhibits 12 and 13).

Railroad Bridge

Under a cost sharing agreement, a city claimed reimbursement for costs incurred to construct a railroad bridge and concrete channel. The auditors questioned \$197,973 of the incurred costs by a nearby township, which was not reimbursed by the city or part of the cost sharing agreement. (NCS 95-160-15)

Dam Foundation

A \$1,515,218 proposal was submitted for a contract modification for stabilization of previously excavated slopes at the Portuguese Dam Foundation Project in Ponce, Puerto Rico. The auditors questioned \$544,077 of the proposed extended field overhead, equipment, labor, material and subcontract costs. (KJ95-210-20)

CONTRACT AUDIT POLICY AND OVERSIGHT

The Audit Policy and Oversight (APO) Directorate provides policy for and oversight of the contract audit organizations in the DoD and public accounting firms performing examinations under the Single Audit Act. The APO Directorate participated on Working Groups assessing the causes of regulatory cost premiums on contractors and DoD acquisitions. The Directorate also commented on numerous proposed changes to the procurement regulations to implement the Federal Acquisition Streamlining Act.

The following actions were accomplished during the period:

Contractor Restructuring Costs

The Directorate is currently monitoring the audits associated with 24 major mergers and acquisitions among Defense contractors. To date, only one company has met all the requirements of the Under Secretary of Defense policy and Section 818, Public Law 103-337. The remaining companies are in various stages of complying with the policy and/or the legislation.

As required by Section 818, the DoD adopted an interim rule covering restructuring costs on December 29, 1994. The IG reviewed the rule and found that because of the broad requirements of the legislation, the interim rule is overly complex, duplicates other regulations and cannot be effectively implemented. We recommended that the Director, Defense Procurement, request that the Congress amend or repeal Section 818 of Public Law 103-337 to make them workable.

Report on Review of the Defense Contract Audit Agency Defective Pricing Program (APO 95-007)

The objectives were to determine whether contracts selected are adequately audited for compliance with the Truth in Negotiations Act, 10 U.S.C. 2306a; the Postaward Audit Selection System provides for the selection of contracts with the greatest

risk of defective pricing; and, to follow up on recommendations in previous oversight reviews. We found that since fiscal year 1990, Defense Contract Audit Agency (DCAA) staff hours expended on defective pricing reviews decreased by 58 percent; the number of defective pricing audits identifying defective pricing decreased by 73 percent; and the amount of recommended price adjustments decreased by 87 percent. Although those trends are partially attributable to improved contractor estimating systems, they are also the result of the DCAA not selecting contracts for audit with the greatest potential for defective pricing, not completing audits of all of the sample contracts selected and inadequate audits of the contracts that were examined. We also found that the DCAA Postaward Selection System underrated risk at contractors, which resulted in fewer contracts reviewed. The DCAA concurred with or offered acceptable alternatives to 15 of the 27 recommendations in the report. We provided additional comments as to why the 12 unresolved recommendations should be implemented and asked the DCAA to reconsider its position.

Report on the Review of Hotline Allegation that Defense Contract Audit Agency Management Failed to Report Potential Fraud or Unlawful Activity (APO 95-008)

The review addressed three allegations relating to audit activities at a DCAA audit office: (1) suspected irregular conduct, including possible obstruction of audit, at a contractor location, (2) nonreferral of suspected irregular conduct based on inappropriate advice received from the DCAA Department of Justice liaison auditor, and (3) no established method to refer for investigation possible noncompliance with Internal Revenue Service (IRS) regulations. Our evaluation substantiated all three allegations and identified deficiencies in, and improvements needed to, existing DCAA audit guidance and management oversight. The DCAA partially concurred with two recommendations and nonconcurred with three. We believe the DCAA must issue additional guidance on determining when a fraud referral is appropriate and clarify guidance relating to communicating noncompliance with IRS regulations and potential irregular conduct to the Department of the Treasury.

Report on the Oversight Review of the Defense Contract Audit Agency Evaluations of Contractor Compensation Systems (APO 95-009)

A review was conducted to determine the adequacy of the DCAA procedures and policies for reviewing and determining the reasonableness of contractor compensation costs. We concluded that 18

of 21 compensation system reviews were inadequate. We identified the following deficiencies: failure to report \$700,000 in unreasonable executives compensation because offsets were allowed without justification, inadequate audit steps in evaluating employee compensation and failure to properly apply fringe benefits to unreasonable compensation identified. The DCAA concurred with the 13 recommendations and offered adequate plans for implementation.

Single Audit

During the period, we received 331 annual audit reports from states, local governments, universities and nonprofit organizations. We found improvement in recipients submitting reports within the required 13-month period. Instances of delinquent reports occur mainly because indirect cost rates are not submitted by the recipients and/or audited on a timely basis. If predetermined rates were used at those organizations instead of postdetermined rates, delays in the delinquency of annual reporting could be further reduced. We also performed quality control reviews of the working papers of public accounting firms for 15 single audits. Although we found a number of Government Auditing Standards noncompliances, no deficiencies were material enough to reject the audit or to request sanctions against the audit firms.

CONTRACT AUDIT FOLLOWUP (Department of Defense)

The APO Directorate is responsible for overseeing contract audit followup systems maintained within the DoD. That responsibility includes conducting field reviews to ensure the adequacy of contract audit followup systems maintained by approximately 300 DoD acquisition and contract administration offices. The APO Directorate also performs special project reviews, develops policy changes and provides the Secretary of Defense and DoD contract audit followup officials with periodic reports on the processing status of significant postaward contract audit reports.

Reviews of Contract Audit Followup Systems

During the period, the APO Directorate conducted contract audit followup reviews at 18 DoD acquisition and contract administration activities. Twenty-five reports were issued noting system and individual processing deficiencies found at the activities. The activities generally agreed with the findings and recommendations and initiated the actions necessary to improve their contract audit followup systems.

Review of Army Overage Audit Review Boards

A review was conducted to determine whether the Army Overage Audit Review Boards were assisting contracting officers in the resolution and disposition of the older, and usually more complex, audit reports. We found that: (1) the Army's requirements for use of an Overage Report Review Board were not always followed, (2) the Board data was not effectively used, and (3) documentation of results of the Board meetings was minimal. At the Army contracting activities where the Board was operating properly, the resolution and disposition of audits was facilitated. We made recommendations that, when implemented, will result in an effective Board Review process.

Contracting Officer Performance Plans

The purpose of the review involved determining whether the DoD components include contract audit followup responsibilities in the performance plans of appropriate acquisition personnel and rate them on their effectiveness in resolving and implementing audit recommendations. We found that when contract audit followup responsibilities are included in the performance plans of acquisition officials, those officials are routinely evaluated on their performance. Nevertheless, we recommended that the evaluations completed by the Navy and the Defense Logistics Agency be strengthened to require the inclusion of specific comments on their evaluations, rather than including only numerical ratings. We also found that the Army seldom included followup responsibilities in the performance plans of appropriate acquisition officials, and, accordingly, recommended that the Army expand its acquisition regulations in this area.

Policy Changes

The DoD Directive 7640.2, "Policy for Followup on Contract Audit Reports," was recently revised. The most significant revisions to the Directive include: (1) identifying Contractor Insurance and Pension Reviews as reportable, (2) specifically citing reports on audits of Cost Accounting Standards cost impact proposals as reportable audits, (3) consolidating the various existing reporting categories for claims and incurred cost audits into two categories, (4) simplifying the reporting of closed audits, and (5) updating the recovery of funds section to conform with current DoD guidance.

Status of Post Award Contract Audit Reports

Exhibit 14, page 30, summarizes significant post-award contract audit report statistics for the period.

EXHIBIT 14
CONTRACT AUDIT FOLLOWUP RESULTS
SIGNIFICANT POSTAWARD AUDITS
(For the 6-month period ending September 30, 1995)

OPEN		
Category	Number of Reports	Cost Questioned (\$ in millions)
Undecided, < 6 months old	602	\$1,225.3
Undecided > 6 months old*	1,030	1,912.9
Decided < 12 months old	440	487.6
Decided > 12 months old	760	1,528.2
In Litigation	323	2,565.3
Total	3,155	\$7,719.3

*Of the reports, 298 involve defective pricing, and 226 involve noncompliance with the cost accounting standards.

CLOSED		
Number of Reports	Disallowed Costs (\$ in millions)	
1,866		\$542.9

CHAPTER 3 - CRIMINAL INVESTIGATIONS

This chapter gives summary statistics and describes selected fraud cases investigated by the Defense Criminal Investigative Service (DCIS) – an arm of the Office of the Inspector General, DoD – the Army Criminal Investigation Command (CIDC), the Naval Criminal Investigative Service (NCIS) and the Air Force Office of Special Investigations (AFOSI). The NCIS and the AFOSI also conduct counter-intelligence investigations. The chapter also provides OIG, DoD, criminal investigative policy and oversight activities.

Exhibit 15, page 38, shows information on investigative results achieved during the period for those IG Reporting Codes that best reflect the IG, DoD, emphasis on procurement fraud and health care provider fraud. Other investigative results are presented in Appendix F. Exhibit 16, page 38, shows the numbers of contractors and individuals suspended and debarred as a result of DoD criminal investigations.

The report segregates investigative case results between high IG, DoD, emphasis and other areas. The combination of case results reported in Exhibit 15 with those reported in Appendix F provides the full data necessary for comparisons with prior periods. As in previous reports, the current statistics do not include general crime investigations or counterintelligence activities.

In response to recommendations contained in the Report of the Advisory Board on the Investigative Capability of the Department of Defense, the Secretary of Defense established the Secretary's Board on Investigations (BOI). The BOI is chaired by the Inspector General, and the Under Secretary of Defense for Acquisition and Technology, the General Counsels for the DoD, the Army, Navy, Air Force and Marine Corps, and the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) form the balance of the Board. A staff of five, selected from the DoD components, serves the BOI. The BOI meets bi-monthly. Under the aegis of the BOI, in June the Inspector General issued interim guidance updating the DoD Instruction governing assignment of criminal investigations among the Defense Criminal Investigative Organizations.



Apache Helicopter

SIGNIFICANT INVESTIGATIVE CASES

False Claims/Statements

Cost Figures

An investigation was predicated on Applied Companies misrepresenting cost figures used in negotiations with the Army on several AH-1 Apache helicopter contracts. An administrative settlement of \$534,969 and an additional \$1,616,581 were applied as offsets on existing contracts. (CIDC)

Inflated Rates

The investigation disclosed that the Harza Engineering Company (HEC) used allegedly inflated indirect cost rates during negotiations with the U.S. Army Corps of Engineers on four construction contracts. A civil settlement was negotiated and resulted in a \$500,000 payment and contract adjustments in the amount of \$1,658,070 to the U.S. Government. (CIDC)

Mail Fraud, Bank Fraud and Theft

An investigation was predicated on information that Devon C. Park, doing business as Trico Title Company, stole approximately \$3.5 million of U.S. Government funds by transferring the funds from bank to bank; of that amount, \$550,000 was funds placed in escrow with Trico Title. The escrow account was being held to settle negotiations regarding the purchase of property adjacent to Vandenberg Air Force Base, California. The investigation further disclosed that in addition to Trico Title, Park was engaged in doing business as Tri-Icon computers System; Anacapa Financial Services; H&D Financial; and Homestead Title, all of which are no longer in business. Park was convicted and sentenced to 63 months confinement and ordered to pay \$4,068,697 in restitution, of which \$150,000 will be returned to the U.S. Government. Debarment action is also being pursued against Park. (CIDC)

Contracts to Secure Loans

Darryl Dix, owner of Dix & Sons Construction Company, Incorporated, illegally used the company's U.S. Navy contracts as collateral to secure approximately \$411,033 in loans from two financial institutions. Dix was convicted of mail fraud and sentenced to 12 months in prison and upon release, will be placed on supervised release for 3 years and ordered to pay \$160,410 in restitution and a \$100 special assessment fee. (NCIS)

Embroidered Military Insignias

Investigations on Denmark Military Insignia Industries, Incorporated (DMI), and Action Embroidery Corporation disclosed they conspired to rig bids and eliminate competition thereby inflating costs on sales of military insignia to the Army and Air Force Exchange Service. The investigation revealed the contractors actively engaged in discussion to determine bid prices and which contractor would submit the lowest bid. The criminal information filed against DMI resulted in a conviction and restitution of \$400,000 and the information against Action Embroidery Corporation resulted in a conviction and restitution of \$150,000. (AFOSI)

Untaxed Tanks

The Army Tank Automotive Command contracted with Harsco for more than 15,000 5-ton vehicles. The BMY Division allegedly

had not included in its contract bid the required amount of Federal Excise Taxes (FET), then overstated the FET on equitable adjustment claims submitted later. The Harsco Corporation will pay a \$37 million settlement to resolve issues. (DCIS)

Fitness Facility Folly

The Government terminated two contracts for default then contracted with a third company to complete the renovation of an ice-skating rink and the construction of racquetball courts. Investigation found that the second contractor, Dynateria Services, Incorporated, allegedly recruited and conspired with the individuals retained as surety holders to inflate the value of their personal worth and real estate holdings. As a result, two Dynateria officials and two surety holders will pay civil settlements totalling \$699,502. (DCIS/CIDC)

Undelivered Products

Stolen Parts

Aero Union Corporation (AUC) is one of several private air tanker fire fighting contractors who illegally obtained military aircraft via the U.S. Forest Service. The AUC agreed to pay the U.S. Government an administrative settlement of \$220,134 for parts stolen from Government-owned aircraft. (DCIS/NCIS)

Nonconforming Products

Major Safety Hazard

Lucas Western, Incorporated, allegedly provided faulty gearboxes used in the Army Multiple Launch Rocket System and faulty Airframe Mounted Accessory Drive (AMAD) gearboxes and spare parts used in Navy aircraft. All gearboxes failed the inspection and were found to contain defective parts. Over 100 aborted F/A-18 missions, several in-flight fires and the loss of an F/A-18 during the Persian Gulf War were attributable to AMAD failure. Lucas Western agreed to a civil settlement of \$88 million. (DCIS/CIDC/NCIS)

Product Substitution

Land Mines

An investigation by the DCIS and CIDC resulted in the Accudyne Corporation paying a

civil settlement of \$12 million. The investigation examined qui tam allegations, filed by current and former employees, that Accudyne provided false testing data to the DoD, performed improper quality assurance procedures and placed nonconforming material in the Modular Pack Mine System, resulting in nonfunctional anti-personnel and anti-tank land mines. (DCIS/CIDC)

Inferior Quality Tools

William R. McGillivray was the president and sole owner of Advance Tool, Mancelona, Michigan. McGillivray allegedly supplied inferior quality hand tools to the Government through General Services Administration controlled Blanket Purchase Agreements. McGillivray was ordered to pay \$365,000 in civil restitution. (NCIS/AFOSI)

Aircraft Fasteners and Components

A multi-district Task Force investigation identified numerous companies paying kick-backs to prime DoD contractors for accepting substandard or faulty aircraft fasteners and components used in contracts with the Federal Aviation Administration and commercial companies. The end result of the investigation was 16 guilty pleas, one guilty verdict and 7 civil judgments that resulted in 23 defendants serving a term of imprisonment, a total of \$818,724 in criminal fines and \$617,000 in civil judgments. In addition, numerous companies and individuals were suspended and/or debarred from Government contracting. (DCIS/NCIS/AFOSI)

"Operation Break Apart"

An investigation targeted aviation parts brokers and private aircraft companies who engaged in a scheme to defraud the Federal Aviation Administration by selling bogus and "unapproved" aircraft parts to civilian and military aircraft end users. Tri-Air Supply and its President, Billie W. Puckett, were charged and pled guilty in connection with selling approximately \$200,000 in unapproved torque-arm housing caps and slat-drive collars to commercial customers. Tri-Air was ordered to pay a \$240,000 fine, a \$400 special assessment fee, and \$90,000 in restitution to the various airlines and other customers. (DCIS/CIDC/NCIS/AFOSI)

Bonding Requirements

General Electric Aircraft Engines (GEAE) produced military and commercial jet engines that failed to conform to minimum electrical bonding requirements. GEAE allegedly made false statements to Government officials, stating the engines, including the electrical components, met all electrical bonding requirements to withstand electromagnetic interference from other electronic systems and electromagnetic pulse from nuclear events or lightning strikes. GEAE agreed to pay \$7.1 million to settle claims on Government contracts. (DCIS/CIDC/NCIS/AFOSI)

Safety Wire

The Brookfield Wire Company contracted for the production of safety wire for use within various military weapon systems, including aircraft and ships used by the Air Force and Navy. The military classified the wire as having critical applications within those weapon systems. The company entered into a \$200,000 civil settlement for violations of required contractual specifications. (DCIS/CIDC/NCIS/AFOSI)

Mobile Radio System

The GTE Government Systems Corporation subcontracted Marconi to produce radop transceivers for the Army Mobile Subscriber Equipment radio system. The investigation determined Marconi tested the transceivers intermittently rather than continually, as required. As a result, radios that failed to operate when subjected to high temperatures were sold to the Government. The GTE Government Systems Corporation and the Canadian Marconi Corporation will pay a \$3.2 million civil settlement to resolve allegations of product failure. (DCIS/CIDC)

Fire Control

Edwin Brooks, with his sons, Stephen and John, were responsible for operations of B&D Electric Supply, Incorporated, and sold various electronic components used in Navy ships and submarines. The components were part of the fire equipment installed in the ships' guided-missile systems. B&D painted and reworked used surplus parts so that they looked new. B&D Electric was convicted and sentenced to pay a \$150,000 fine and an \$800 special assessment fee. Edwin Brooks was convicted and sentenced to 18 months in prison, 3 years probation, ordered to pay a

\$100,000 fine and a \$250 special assessment fee. Stephen Brooks was convicted and sentenced to 15 months in prison, 3 years probation, ordered to pay a \$4,000 fine and a \$200 special assessment fee. John Brooks was convicted and sentenced to 5 months in prison, 3 years probation, 300 hours community service, ordered to pay a \$3,000 fine and a \$100 special assessment fee. (NCIS)

False Testing on DoD/NASA Parts

The Philips Corporation falsified and destroyed test data and removed failing resistors during testing and destroyed them. Philips manufactured approximately 40 percent of all resistors used by NASA and DoD in defense related communication, navigation and weapon systems. As a result of the investigation, the Philips Corporation was convicted and sentenced to a \$9 million fine, a \$3,600 special assessment fee and directed to notify its customers of a \$5 million commercial victim fund Philips established to compensate its victims. (DCIS)

Bad Boats

B.F. Goodrich, Incorporated, allegedly delivered 181 nonconforming 15-man inflatable assault rafts under an Army contract. Goodrich used unauthorized manufacturing and repair processes, including the use of air-cure cement to install major components. The nonconforming rafts posed safety hazards that were, in some cases, life threatening. The investigation resulted in a \$552,500 civil settlement. (DCIS)

Old Tubes for New

Richardson Electronics, Limited, allegedly provided substandard and untested image converter tubes to the Defense Electronics Supply Center. The tubes were used in military combat vehicles during Operation Desert Storm. The tubes, actually produced 10 to 15 years earlier by another manufacturer, were generally too old to be effective and were often unusable. As a result, Richardson Electronics paid the DoD a \$4.7 million civil settlement. (DCIS)

Maverick Missile Launchers

United Telecontrol Electronics (UTE) allegedly created fictitious testing documents, intentionally concealed the actual testing data from the Air Force and assembled missile launchers using defective lugs and fasteners.

As a result, two pilots experienced in-air missile launcher failures. In one instance, the components failed and the launcher nearly broke loose from the aircraft wing. As a result of the investigation, the vice president of UTE pleaded guilty to four counts of a 12-count indictment, and \$13.9 million of property was seized. (AFOSI)

Cost Mischarging

Price Fixing Scheme

The Hawaiian Distributor, Incorporated (HDI), supplied food to the commissary at the Schofield Army Base in Hawaii as a subcontractor to AGS Foods, Incorporated. HDI allegedly submitted false delivery tickets in a price fixing scheme with AGS Foods, Incorporated. As a result of the investigation, HDI entered into a \$104,904 civil settlement. (CIDC/NCIS)

Labor Hours for Construction

The Atlantic Research Corporation (ARC) submitted invoices against another contract for labor hours associated with the construction of a new ARC facility prior to, and in anticipation of, winning the contract that would have covered the charges. As a result, the ARC entered into a \$150,000 civil settlement. (NCIS)

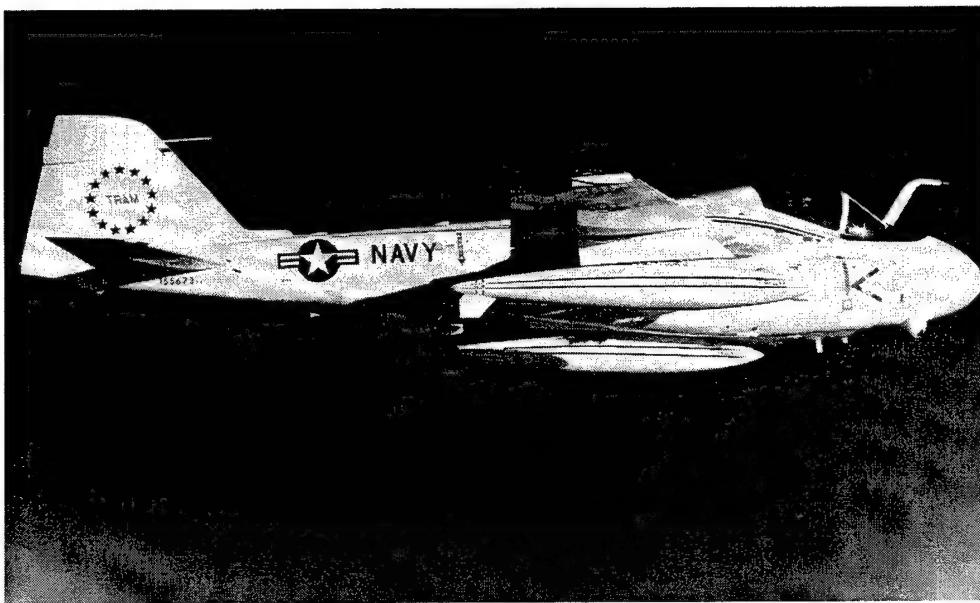
Defective Pricing

Cost Data Withheld

The Parker Hannifin Corporation (PHC) allegedly submitted false cost and pricing information during contract negotiations for fuel system control units used in Navy A6E aircraft (pictured on page 35). The PHC allegedly withheld cost data regarding labor hours prior to final negotiations, which, if properly provided, would have resulted in a lower contract cost to the Government. The investigation resulted in a \$1 million civil settlement. (DCIS/NCIS)

Contract Negotiation

The Harris Corporation is a manufacturer of advanced communication, information processing and microelectric equipment. Harris allegedly provided defective cost and pricing data during the negotiation of a Naval Regional Contracting Center contract for the



A6E Aircraft (Grumman Aerospace Corporation Photo)

manufacture of Navy tailored Mini-Vast systems and a Naval Air Systems Command spare parts contract for Navy Hybrid Test Systems (HTS). The investigation resulted in agreement by the Harris Corporation to a \$1.5 million civil settlement. (DCIS/NCIS)

B1-B Bomber

The Rockwell International Corporation had a contract for full-scale development and production of lots one and two of the B1-B bomber. The company allegedly provided a series of knowingly false cost and pricing data certifications in which it failed to use corporate indirect rates. That resulted in inflated

contract payments and resulted in Rockwell paying a \$23,652,000 civil settlement, and further savings of \$65 million in offset claims that the company agreed to drop. (AFOSI)

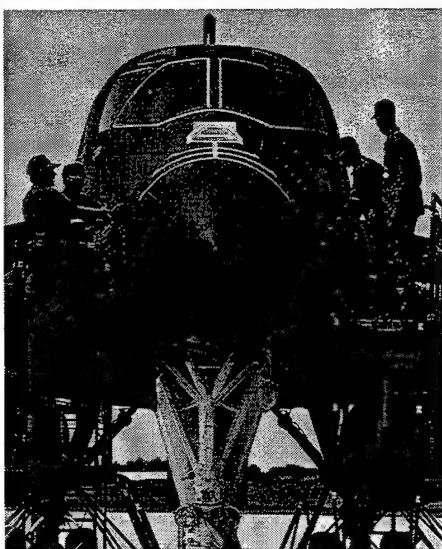
Israeli Irregularities

An investigation revealed that Israel Aircraft Industries, Limited (IAI), allegedly failed to provide the most current, complete and accurate cost and pricing data to Navy negotiators. The Navy contracted with IAI to provide maintenance on Kfir aircraft supplied by Israel under a non-cost lease agreement. As a result, IAI agreed to pay an \$8.5 million civil settlement. (DCIS)

Contractor/Subcontractor Kickbacks

Exchanged Insider Information

An investigation uncovered contract rigging schemes on subcontracts awarded by Martin Marietta Ordnance Systems (MMOS), the operating contractor of Milan Army Ammunition Plant. In exchange for kickback payments, a manufacturer's representative and two former MMOS employees opened competitors' sealed bids, exchanged protected insider information on pending contracts and used other means to ensure awards of contracts to favored contractors. The individuals involved await sentencing after pleading guilty to criminal charges and entered agreements to forfeit the following: Frederick Isaccs, up to \$1 million in cash and assets; Bobby Joe Vasquez,



B1-B Bomber

\$52,400 and two vehicles; Carl Jennings Bryant, \$5,000. (DCIS/CIDC)

Kickbacks in Exchange for Contracts

An investigation found that Richard A. Pope, while employed at the Lockheed Aeronautical Systems Company (LASC), accepted kickbacks of approximately \$151,000 from Equipment and Supply, Incorporated (ESI). The kickbacks, received over a 20-year period, were paid in exchange for Pope assisting ESI in obtaining contracts from LASC. The investigation led to Pope's conviction and sentencing to 30 months in jail, 3 years supervised release, a \$150,000 fine and a \$1,250 special assessment fee. (DCIS/AFOSI)

Health Care Fraud

Pumped Up Prices

An investigation by the DCIS and the Office of the Inspector General at the Department of Health and Human Services found that Huntleigh Technology, Incorporated, allegedly knowingly marketed its "Flowplus" pump, used in the treatment of lymphedems, to its customers as qualifying under code E0652, assigned by the Health Care Financing Administration exclusively to the higher quality Wright Linear Pump. The overcharges also negatively affected the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) and CHAMPUS intermediaries. Huntleigh entered a \$4.9 million civil settlement to resolve allegations. (DCIS)

Variety of Schemes To Overcharge

A joint investigation by DCIS, the Federal Bureau of Investigation, the Department of Health and Human Services and the Railroad Retirement Board resulted in Caremark, Incorporated, entering into a \$116 million global settlement with the Federal Government to cover criminal fines, civil restitution and damages related to health care fraud, plus a \$3.5 million settlement to resolve Drug Enforcement Agency issues. Caremark used a variety of schemes to overcharge the Government, such as billing retail prices rather than acquisition costs for pharmaceutical and durable medical products, and paying inducements to providers to refer patients for therapies involving home infusing (intravenous fluids), oncology, hemophilia and a synthetic human growth hormone. As part of the settlement, Caremark sold its home infusion

business, cancelled contracts with doctors and other referral sources and will participate in a corporate integrity plan. (DCIS)

Laboratory Tests

Metpath, Incorporated, a nationwide medical laboratory corporation, billed and was paid by the Government for tests not performed. Metpath will pay the Government \$8.6 million to settle civil fraud claims. (DCIS)

Overpaid Ophthalmologist

The task force found that Jeffrey Jay Rutgard, M.D., billed Medicare, CHAMPUS and other insurance providers for services not rendered, knowingly misdiagnosed his patients to induce them to undergo unnecessary surgery and justified the surgery by altering patient records. Rutgard submitted \$51 million in medical claims over a 5-year period and received payments of more than \$18 million. An investigation led to his conviction and sentencing to 135 months imprisonment, 36 months probation, a \$150,000 fine and \$8.4 million in restitution. Rutgard must also pay an estimated \$240,210 for the cost of his imprisonment. (DCIS)

Physician's Fraud

Richard J. Kones pled guilty to submitting claims to CHAMPUS and private health insurance carriers for services never rendered. Kones was sentenced to 71 months imprisonment, 3 years supervised release, \$4 million in fines and a \$10,100 special assessment fee. Kones was also ordered to pay \$1.5 million to the IRS, forfeit assets of \$2 million and surrender his medical license. (DCIS)

Other Indictments, Convictions and Recoveries

Exhibit 17, page 40, shows some of the major indictments, convictions or recoveries obtained by DoD criminal investigative organizations from April 1, 1995 through September 30, 1995.

Bribery

An investigation disclosed a contract specialist allegedly accepted bribes from German contractors to circumvent the Federal Acquisition Regulation and awarded contracts to corrupt contractors. German police seized approximately \$629,630, and, as part of a settlement with the Department of Justice, the

specialist agreed to give a full account of her illegal activities. Action on a petition by the Department of Justice to the German court for release to the U.S. Government of the money seized is pending. (CIDC)

Pay and Allowance Fraud

According to the investigation, for 5 years, James Preston Hajacos filed false workers' compensation claims, stating in each that he was not receiving additional income. In 1989, Hajacos was awarded 100 percent disability after allegedly suffering a back injury when he fell from a fire truck while on duty. The investigation further disclosed that Hajacos was receiving income from an antique business he owned that required him to lift heavy objects. Hajacos pled guilty to one count of false claim and was ordered to pay \$205,290 in restitution, was sentenced to 10 months confinement, 3 years probation and loss of all future workers' compensation for the injury. (CIDC)

Policy and Oversight Activities

The Office of the Assistant Inspector General for Policy and Oversight (OAIG-PO) is responsible for developing new or revised investigative policy applicable to all DoD criminal investigative organizations (DCIO) and conducts oversight reviews to ensure compliance with established policy. The office also administers the DoD Voluntary Disclosure Program and is responsible for coordinating DoD investigative efforts involved in:

- voluntary disclosure verifications;
- the Program Fraud Civil Remedies Act of 1986;
- qui tam suits filed by private parties against DoD vendors or other third parties who are alleged to have defrauded the Government; and
- matters referred by the Defense Contract Audit Agency that warrant investigative attention.

The OAIG-PO also processes requests by the military criminal investigative organizations (MCIO) for IG subpoenas to support ongoing investigations or audits, arranges for subpoena issuances and monitors the cases to ensure results consistent with the IG involvement.

In accordance with Section 1185 of the National Defense Authorization Act of FY 1994 (10 U.S.C. Section 113 note), a family member may request that the IG review an MCIO investigation of the death of a

Service member when the investigation determines the death resulted from a self-inflicted cause. The request must contain or describe specific evidence of a material deficiency in the initial investigation. The statute also requires the Secretary of Defense, who tasked the IG, DoD, to review and report on the Military Department policies and procedures for investigating such death cases. Active review into those policies has been initiated.

The OAIG-PO is also responsible for actions under DoD Directive 8320.1, "DoD Data Administration," and related guidance from the Deputy Secretary of Defense. The Directive designated the IG, DoD, as the Principal Staff Assistant (PSA) for audits, inspections and criminal investigations in the DoD. The Deputy Secretary of Defense directed the PSAs to identify a single information management "migration system" within each functional area, and functional users to migrate to the designated system over a 3-year period. The OAIG-PO is responsible for identifying the migration system for criminal investigations and working with the DCIO to ensure implementation of the migration system. The required efforts include using the concepts involved in business process reengineering practices to identify a current, modified or new system best meeting functional user needs while achieving standardization within the DoD.

During the reporting period, the following activities contributed to the accomplishments of the OIG, DoD, criminal investigative policy and oversight roles:

- Completed investigative work and reported on two Service member death cases referred to the OIG by a Member of Congress. In addition, completed investigative work and began drafting reports on seven other death cases referred by congressional members.
- In accordance with Section 1185(a) of the Defense Authorization Act for FY 1994, initiated the oversight review on the MCIO policies and procedures for investigating Service member death cases. The OAIG-PO intends to review a draft report on the oversight review during the next semiannual reporting period.
- Completed oversight reviews on specific MCIO investigations in response to Hotline and other complaints. The reviews involved allegations of investigator and agency misconduct and were assessed for completeness and compliance with investigative standards.
- Published DoD Directive 5505.9, "Interception of Wire, Electronic and Oral

EXHIBIT 15
INVESTIGATIVE CASE RESULTS
For the 6-Month Period Ending September 30, 1995
(Procurement Fraud and Major Health Care Areas)¹

Defense Criminal Investigative Organization (DCIO)						
	DCIS	CIDC	NCIS	OSI	JOINT DCIOs	TOTAL
LITIGATION RESULTS - DOJ ONLY						
Indictments	61	10	11	7	73	162
Convictions	57	9	13	8	72	159
Civil Settlements/ Judgments	1	2	1	2	2	8
MONETARY OUTCOMES (\$000)						
DOJ Only	174,533	1,361	2,536	25,488	126,048	329,966
DoD Administrative Recoveries	43,753	5,211	53	2,478	56,153	107,648
Investigative Recoveries ²	33	1	87	13,932	14,083	28,136
Total	\$218,319	\$6,573	\$2,676	\$41,898	\$196,284	\$465,750

¹Other Investigative Statistics are reported in Appendix F.

²Includes Government properties seized or otherwise recovered during investigations. Those properties include items previously transferred to a Defense Reutilization and Marketing Office (DRMO). Investigative recoveries are generally valued at original acquisition prices, which may be significantly higher than current fair market values.

EXHIBIT 16
SUSPENSIONS AND DEBARMENTS RESULTING FROM CRIMINAL INVESTIGATIONS
For the 6-Month Period Ending September 30, 1995

	Defense Criminal Investigative Organization (DCIO)					
	DCIS	CIDC	NCIS	OSI	JOINT DCIOs	TOTAL
DoD CONTRACTOR ACTIONS						
Suspensions						
Companies	14	0	13	0	17	44
Individuals	23	0	29	10	26	88
Debarments						
Companies	19	1	10	3	21	54
Individuals	23	1	22	22	42	110

Communications for Law Enforcement," and its implementing manual, DoD 5505.9-M.

- Continued oversight reviews on:
 - » Compliance by the Military Departments with DoD Directive 7050.5, "Coordination of Remedies for Fraud and Corruption Related Offenses."
- Initiated policy development actions, including:
 - » Continued coordination efforts for a unified DCIO position on modifications to the Defense Clearance and Investigative Index proposed by the Office of the Assistant Secretary of Defense (Command, Control, Communications and Intelligence).
 - » Submitted a proposed DoD Instruction for coordination on the use of mail circulation to obtain information or evidence related to investigative activities.
 - » Submitted for coordination DoD Directive 5200.27, "Acquisition of Information Concerning U.S. Persons and Organizations Not Affiliated with the DoD."
- Reviewed and coordinated the issuance of 90 IG subpoenas in support of investigations that MCIO conduct on behalf of the IG. The OAIG-Investigations processed an additional 191 subpoenas in connection with its investigations. Overall, the IG issued 281 subpoenas during the period, increasing the total IG subpoenas issued to date to 6,652.

Voluntary Disclosure Program

The DoD Voluntary Disclosure Program encourages contractors to disclose potential criminal or civil fraud that may affect their contractual relationship with the Department or the contractor's responsibility under the Federal Acquisition Regulation. The Program, established in 1986, is administered by the OAIG-PO.

In cooperation with the Department of Justice, the DoD continues to take the initiative in enhancing the confidence between Government and industry. Defense contractors who are signatories to the Defense Industry Initiatives or participate in the Voluntary Disclosure Program present a corporate policy against illegal or improper conduct and establish high standards demonstrating that criminal actions will not be condoned.

Since its inception, the program has received 347 disclosures. There have been three corporate convictions and 53 individuals have been convicted. One contractor has been debarred. The Government has received \$296 million in criminal, civil and administrative recoveries as a result of the Voluntary Disclosure Program.

During the reporting period, 12 new disclosures were received and \$863,493 were recovered. Significant recoveries were as follows:

- A defense contractor and the Government entered into a settlement agreement of a voluntary disclosure matter under which the company agreed to pay the Government \$165,691. The disclosure concerned possible pricing irregularities with a Department of the Army contract for targeting systems. As a part of the disclosure, the company identified a number of weaknesses in its contract negotiation and pricing practices. The company instituted practices and procedures to correct the problems.
- A Defense contractor paid the Government \$294,385 in settlement of a voluntary disclosure. The disclosure concerned misrepresentations regarding non-United States content and site manufacture and/or assembly of certain items, components and services sold to a foreign government. The sale was financed by the Foreign Military Financing program. The company identified two weaknesses in its certification procedures, i.e., verification that items were manufactured in the United States, and the data base used to verify the origin of components during the content analysis process. Both shortcomings were corrected by the company.

EXHIBIT 17
EXAMPLES OF MAJOR INDICTMENTS, CONVICTIONS OR RECOVERIES
OBTAINED BY DEPARTMENT OF DEFENSE CRIMINAL INVESTIGATIVE ORGANIZATIONS
(For the 6-Month Period Ending March 31, 1995)

Type of Case	Entities/Persons	Sentence/Fine/Recovery/Settlement	DoD Activity
1. False Claims	Applied Companies	\$534,969 administrative settlement	CIDC
2. False Claims	Harza Engineering Company	\$1,658,070 civil settlement	CIDC
3. False Claims	Devon Park	Sentenced to 63 months confinement, \$4,068,697 in restitution, debarment action pending	CIDC
4. False Claims	Darryl Dix	Sentenced to 12 months in prison, 3 years supervised release, \$160,410 restitution and \$100 special assessment fee	NCIS
5. False Claims	Denmark Military Insignia Industries, Incorporated (DMI) Action Embroidery Corporation (AEC)	DMI - \$400,000 restitution AEC - \$150,000 restitution	AFOSI
6. False Claims	Harsco Corporation	\$37 million civil settlement	DCIS
7. False Claims	Dynateria Services, Incorporated	\$699,702 civil settlement	DCIS/CIDC
8. Undelivered Products	Aero Union Corporation	\$220,134 settlement for parts stolen from aircraft	DCIS/NCIS
9. False Claims	Lucas Western, Incorporated	\$88 million civil settlement	DCIS/CIDC/NCIS
10. Product Substitution	Accudyne Corporation	\$12 million civil settlement	DCIS/CIDC
11. Product Substitution	William R. McGillivray	\$365,000 restitution	NCIS/AFOSI
12. Product Substitution	Multi-District Task Force	23 defendants serving imprisonment, \$818,724 criminal fines, \$617,000 civil settlements	DCIS/NCIS/AFOSI/
13. Product Substitution	Tri-Air Supply	\$240,000 criminal fine, \$400 special assessment fee, \$90,000 criminal restitution	DCIS/CIDC/NCIS/AFOSI
14. Product Substitution	General Electric Aircraft Engines	\$7.1 million civil settlement	DCIS/CIDC/NCIS/AFOSI
15. Product Substitution	Brookfield Wire Company	\$200,000 civil settlement	DCIS/CIDC/NCIS/AFOSI

16. Product Substitution	GTE Government Systems	\$3.2 million civil settlement	CIDC/DCIS
17. Product Substitution	B&D Electric Supply, Edwin Brooks, Stephen Brooks, John Brooks	B&D - \$150,000 criminal fine, \$800 special assessment; Edwin Brooks - 18 months in prison, 3 years probation, \$100,000 criminal fine, \$250 special assessment fee; Stephen Brooks - 15 months in prison, 3 years probation, \$4,000 fine, \$200 special assessment fee; John Brooks - 5 months in prison, 3 years probation, 300 hours community service, \$3,000 criminal fine, \$100 special assessment fee	NCIS
18. Product Substitution	Philips Corporation	\$9 million criminal fine, \$3,600 special assessment fee	DCIS
19. Product Substitution	B.F. Goodrich	\$552,500 civil settlement	DCIS
20. Product Substitution	Richardson Electronics, Limited	\$4.7 million civil settlement	DCIS
21. Product Substitution	United Telecontrol Electronics	\$13.9 million seizure	AFOSI
22. Cost Mischarging	Hawaiian Distributor, Incorporated	\$104,904 civil settlement	CIDC/NCIS
23. Cost Mischarging	Atlantic Research Corporation	\$150,000 civil settlement	NCIS
24. Defective Pricing	Parker Hannifin Corporation	\$1 million civil settlement	DCIS/NCIS
25. Defective Pricing	Harris Corporation	\$1.5 million civil settlement	DCIS/NCIS
26. Defective Pricing	Rockwell International Corporation	\$23,652,000 civil settlement and \$65 million in offset claims that the company agreed to drop	AFOSI
27. Defective Pricing	Israel Aircraft Industries, Limited	\$8.5 million civil settlement	DCIS
28. Contractor/Subcontractor Kickbacks	Frederick Isaccs Bobby Vasquez Carl Jennings Bryant	Frederick Isaccs - \$1 million in cash and assets Bobby Vasquez - \$52,400 criminal fines and two vehicles (\$20,000) Carl Jennings Bryant - \$5,000	DCIS/CIDC
29. Contractor/Subcontractor Kickbacks	Richard A. Pope	30 months imprisonment, 3 years supervised release, \$150,000 criminal fine, and \$1,250 special assessment fee	DCIS/AFOSI
30. CHAMPUS Fraud	Huntleigh Technology, Incorporated	\$4.9 million civil settlement	DCIS
31. CHAMPUS Fraud	Caremark, Incorporated	\$116 million criminal and civil fines, \$3.5 million settlement to resolve Drug Enforcement Agency issues	DCIS

32. CHAMPUS Fraud	Metpath, Incorporated	\$8.6 million civil settlement	DCIS
33. CHAMPUS Fraud	Jeffrey Jay Rutgard, M.D.	135 months imprisonment, 36 months probation, \$150,000 criminal fine, \$8.4 million restitution and he must pay \$240,210 of his own imprisonment cost	DCIS
34. CHAMPUS Fraud	Richard J. Kones	71 months imprisonment, 3 years supervised release, \$4 million in fines, \$10,000 special assessment fee, \$1.5 million to IRS, forfeit assets of \$2 million, surrender medical license	DCIS
35. Bribery	Contract Specialist	\$629,630 seizure	CIDC
36. Pay and Allowance Fraud	James Preston Hajacos	10 months imprisonment, 3 years probation, \$205,290 criminal restitution and loss of all future workers' compensation claims	CIDC

CHAPTER 4 - OTHER INVESTIGATIONS

The Office of Departmental Inquiries exercises direction and control over the DoD Hotline and two administrative investigative elements--Special Inquiries and Program Integrity. During the period, Special Inquiries and its Military Service IG counterparts opened 126 cases and closed 90 cases, of which 8 (9 percent) were substantiated; Program Integrity and its Military Service IG counterparts opened 198 cases and closed 98 cases, of which 18 (18.4 percent) were substantiated; and the DoD Hotline opened 1,401 cases and closed 1,394 cases, of which 371 (26.6 percent) were substantiated in whole or in part.

Note: The DoD Hotline has been realigned under the Office of the Assistant Inspector General for Investigations, as part of the OIG reorganization that was detailed elsewhere in this report. Hotline achievements are included here because the organization was part of Departmental Inquiries for most of the reporting period.

Publicity on Military Whistleblower Protection

On September 1, 1995, we issued a news release to publicize the expanded protections afforded to military whistleblowers through the Fiscal Year 1995 National Authorization Act and the issuance of revised DoD Directive 7050.6, "Military Whistleblower Protection." The release, in part, follows:

Department of Defense Directive 7050.6, Military Whistleblower Protection, was reissued August 12, 1995. The Directive incorporates changes to Section 1034 of Title 10, United States Code (10 U.S.C. 1034), effected by the Fiscal Year 1995 National Authorization Act. The statute provides certain protections to military whistleblowers who communicate to appropriate authority information they reasonably believe evidences a violation of law or regulation, mismanagement, a gross waste of funds or other resources, an abuse of authority, or a substantial and specific danger to public health or safety.

The Directive now specifically cites complaints of sexual harassment and unlawful discrimination as "protected communications" as such complaints may constitute a violation of a law or regulation, and defines a commander-directed referral for a mental health evaluation as a "personnel action."

Most significantly, complaints made to the chain of command are now protected under 10 U.S.C. 1034. Previously, only complaints made to an Inspector General, Member of Congress or DoD audit, inspection, investigation or law enforcement organization were protected under the statute. Communications to any person or organization (including any person or organization in the chain of command) designated under component regulations or other established administrative procedures to receive such communications are now protected by 10 U.S.C. 1034.

SPECIAL INQUIRIES

The Special Inquiries Directorate provides the IG, DoD, with a capability to investigate allegations of administrative improprieties in all areas of DoD programs and operations. The unit investigates and performs oversight of investigations of allegations of reprisal against military members, Defense contractor employees, and nonappropriated fund instrumentality employees, and is responsible for the investigation or oversight of investigations of alleged violations of DoD Directive 6490.1, "Mental Health Evaluations of Members of the Armed Forces."

During the reporting period, Special Inquiries investigators received training from the Clinical Review Group, Office of the Assistant Secretary of Defense for Health Affairs (OASD(HA)), on military mental health care, particularly as it pertains to our responsibilities under DoD Directive 6490.1. The OASD(HA) representatives provided helpful interview techniques for obtaining information from persons who may not be emotionally stable, with emphasis on personal safety awareness when planning and conducting interviews, and recognizing extreme stress indicators in complainants and witnesses.

Violations of DoD Directive 6490.1, "Mental Health Evaluations of Members of the Armed Forces"

During the reporting period, 11 allegations of violations of DoD Directive 6490.1 were received by or reported to the IG, DoD. Violations were substantiated in two of the cases. Both involved failure to provide the member notification required by the Directive.

Examples of Substantiated Military Whistleblower Reprisal Findings During the Reporting Period

H93L53028034 - An Army Reserve sergeant first class received two lowered noncommissioned officer evaluation reports and excessive documentation of minor alleged infractions in reprisal for disclosures to Members of Congress regarding conflicts with her superiors.

H93L54363109 - An Air Force major was reprimanded for making a fraud, waste and abuse disclosure to the Air Force Reserve Inspector General. A special security file was created on the major that resulted in preventing her access to classified material and her subsequent removal from intelligence duties.

H93C54765132 - An Air Force master sergeant received a downgraded enlisted performance report

in reprisal for his disclosures to inspectors general regarding mismanagement within his squadron.

H93L55545211 - A Florida Army National Guard lieutenant who was called to active duty during Hurricane Andrew received an adverse Officer Evaluation Report in reprisal for disclosing that members of his battalion were improperly taking items from the homes of hurricane victims.

PROGRAM INTEGRITY

The Program Integrity Directorate provides a central point for the oversight of administrative investigations involving allegations against senior military and civilian officials within the DoD. The Directorate also conducts senior official investigations and systemic reviews at the direction of the IG, DoD.

Significant Findings - Senior Official Investigations

P94L58989308 - In response to a request by Senator Grassley, we investigated the circumstances surrounding the dispatch of an empty C-141B aircraft to transport a senior Air Force military official from Naples, Italy, to his new assignment at Peterson Air Force Base, Colorado; and a subsequent round trip flight from Colorado to Washington for his promotion ceremony. We concluded the flight from Italy was not in keeping with the policy of minimizing cost and ensuring effective use of Government aircraft that underlies Government travel regulations. However, we found that the flight conformed to accepted military practices in past cases and reflected a culture that apparently lacks adequate cost consciousness in providing services to senior officials. We recommended the Secretary of Defense and the Secretaries of the Military Departments increase efforts to ensure that decisions regarding travel and other services provided to senior officials be based on military necessity and reasonableness of cost rather than rank.

We found the trip from Colorado to Washington was wasteful. The official purpose of the trip--the promotion ceremony--could have been accomplished at less expense to the Government by stopping in Washington enroute from Naples to Colorado. We recommended the Secretary of the Air Force obtain reimbursement from the official for the trip. Reimbursement was made in the amount of \$5,100.55.

We also found that the Air Force Director of Public Affairs did not exercise effective oversight to ensure the Air Force provided timely and accurate information to the media in the matter. We recommended the Secretary of the Air Force review the effectiveness of delegating public affairs responsibilities to subordinate organizations in matters that involve senior

officials. An Air Force Review Panel was convened to address that and other issues. The panel concurred with our recommendations.

DoD Hotline

The IG, DoD, continues to encourage DoD employees, military members, DoD contractor employees and the public to contact the DoD Hotline to report occurrences of fraud, waste and mismanagement. Since 1982, the DoD has saved or recovered over \$271 million as a direct result of investigations, inspections, inquiries or audits initiated in response to information provided to the Hotline.

During this reporting period, the Hotline received 7,944 contacts, resulting in the initiation of 1,401 cases; 1,394 cases were closed. Hotline staff members distributed 10,800 Hotline posters and other publicity materials to various DoD activities and DoD contractors in a continuing effort to promote awareness of the DoD Hotline.

Members of the staff provided briefings to eight classes at the Department of the Army Inspector General School at Fort Belvoir, Virginia, and four briefings to newly assigned general/flag officers within the Department.

The briefings are designed to provide information about the mission and functions of the IG, DoD, and to foster improved working relationships with the Military Service Inspectors General. Hotline staff also provided assistance to several non-DoD agencies that expressed interest in establishing fraud hotlines.

Significant DoD Hotline Findings

Defense Hotline Case # 90-L47389 - Cost Mischarging

The Defense Criminal Investigative Service substantiated allegations of cost mischarging by a DoD contractor. Contractor personnel admitted they had directed employees to charge cost overruns to a Department of Defense Independent Research and Development Contract. A total of \$10 million was recovered in criminal fines and civil damages. (DCIS)

Defense Hotline Case #88-T43908 - Contract Mischarging

An investigation by the Naval Criminal Investigative Service (NCIS), with audit support from the Defense Contract Audit Agency (DCAA), substantiated allegations that a Navy contractor was mischarging a

Government maintenance contract for an advanced training aircraft. Specifically, the contractor billed the Navy for more fringe benefit costs than it had incurred. As part of a settlement agreement, the contractor agreed to pay the Navy \$1,042,144, absorb \$2.4 million in costs claimed on its books, and pay \$2.6 million in legal and administrative costs incurred during the investigation. Total monetary recovery and cost avoidance is \$6,042,144. (NCIS/DCAA)

Defense Hotline Case #92-T50893 - Unauthorized Retirement Annuities

A combined task force from the Departments of Defense and Treasury investigated DoD Hotline allegations that individuals in the Philippines were receiving unauthorized U.S. Government retirement annuities. The task force revealed 485 individuals were receiving annuities who were no longer entitled; in 26 of the cases, the annuitants were deceased and family members were cashing the checks. The findings of the task force resulted in an annual savings to the Government of \$3.6 million. Additionally, the Defense Finance and Accounting Service has established corrective procedures in the retired pay system to prevent similar occurrences.

Defense Hotline Case #90-T46950 - Office of Civilian Health and Medical Program of the Uniformed Services (OCHAMPUS) Fraud

A joint investigation by the Defense Criminal Investigative Service and the Federal Bureau of Investigation substantiated allegations that a physician routinely billed OCHAMPUS for services that were actually less comprehensive than billed, or were not performed at all. A subsequent review by the Office of the Assistant Secretary of Defense for Health Affairs and an audit by the fiscal intermediary, Wisconsin Physician's Services, concluded that of \$520,695 claimed by the physician, \$90,335 was for services not provided; and \$295,095 was for services not supported by the treatment record.

The physician pled guilty to one all-encompassing count of mail fraud; he was sentenced to 7-1/2 months incarceration and was ordered to pay \$633,143 in fines and restitution. (DCIS/FBI)

Defense Hotline Case #91-G49382 - Defective Pricing

A Defense Contract Audit Agency post award audit on a Navy contract for electronic parts for Aegis SFD-262 Cross Field Amplifier

Tubes revealed defective pricing based on improper labor cost information. Negotiations resulted in a \$360,000 settlement for the Navy. (DCAA)

EXHIBIT 18 DoD HOTLINE PROGRAM (For the Period Ending September 30, 1995)			
Calls and Letters		Referrals	
Origin	Cases Opened	Cases Closed	Fully/Partially Substantiated
DoD Hotline	7,927	Cases sent for action	952
GAO Hotline	17	Cases sent for information	445
Total	7,944	Total	1,397
Savings for Period:			\$15,582,414
Total DoD Hotline Savings:			\$271,976,978

CHAPTER 5 - SIGNIFICANT TESTIMONY AND PROPOSALS

CONGRESSIONAL TESTIMONY

Kaiser Class Oilers

On May 2, 1995, the Deputy Inspector General testified on Navy Oiler Shipbuilding Contracts before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs. The hearing was held to inquire into the Department of the Navy's performance in awarding and managing contracts for the construction of four TAO-187 Kaiser Class Oilers.

In May 1985, the Navy awarded a contract with options to Penn Ship for the construction of four Kaiser Class oilers valued at \$415.5 million. In August 1989, the Navy terminated the contract for default after \$349 million had been spent and no ships were completed. A reprocurement contract was awarded to Avondale Shipyard and two ships were completed at an additional cost of \$190 million. A second reprocurement contract for two ships was awarded to Tampa Shipyard. In August 1993, the Navy terminated the Tampa Shipyard contract for default. As a result, the Navy paid about \$400 million to Penn Ship and Tampa Shipyard for two oilers which were never finished and \$50 million to Penn Ship for materials transferred to Avondale. The total spent by the Navy was approximately \$641.7 million.

In response to a complaint to the DoD Hotline, the Office of the Inspector General (OIG) performed an audit of the procedures used in awarding contracts for the four oilers. The OIG found that the Navy ignored various warning signals in making questionable awards to Penn Ship and Tampa Shipyard. The award to Penn Ship was the result of an open competition; however, Penn Ship submitted a best and final offer 15 percent below the next lowest bidder, the shipyard that had built the first four ships of the Kaiser class. Prior to award, the Naval Sea Systems Command had developed information that caused them to question Penn Ship's financial ability to perform the contract within the contract price. An independent assessment of the Navy financial responsibility review was conducted by a major public accounting firm which did not recommend against the award to Penn Ship, but identified numerous areas of concern regarding Penn Ship's financial condition. Many of these concerns

were later contributing factors to Penn Ship's inability to complete the contract.

The testimony of the Deputy Inspector General noted that current Defense acquisition reform efforts seek to lower acquisition costs by attaining more competition through the use of commercial practices. The Kaiser Class oiler program, however, demonstrated that the lowest bidder is not always the best supplier and that competition, by itself, cannot solve all the problems in the Government procurement system. Ultimately, the effectiveness of the contracting process depends on Government contracting officials with the will, competence and support from superiors to protect the taxpayers' interest by not awarding contracts to lowest bidders who cannot meet reasonable financial and technical criteria.

Procurement Reform

On August 3, 1995, the Deputy Inspector General appeared before the House Committee on Small Business to testify on procurement reform legislation and specifically on H.R. 1670, the Federal Acquisition Reform Act of 1995.

The Deputy Inspector General stated that the challenge of acquisition reform was to determine how the Government can buy the goods and services it needs more efficiently in the commercial marketplace. Unlike previous reform efforts, the current emphasis has been on simplifying the Government contracting and procurement process by making greater use of standard commercial practices and procedures.

While the thrust of reform efforts is to make it easier for the Government to participate as any other buyer in the marketplace, reform should also recognize the unique aspects of Government acquisition. Past OIG audits of the acquisition system, operating under more stringent rules than those being proposed, indicate that DoD procurements present enormous financial risks because of the sheer number of suppliers, diversity of products and large sums being expended. The following principles minimize these risks and should continue to underlie the Government procurement process regardless of the course of reform:

- the Government will always want to buy its goods and services at the quality and

performance levels specified in the contract;

- the Government will want to ensure the prices it pays are fair and reasonable; and
- the Government should provide an opportunity for all qualified suppliers to compete.

The Deputy Inspector General emphasized that any acquisition reform measure should include new or retain existing statutory language that provide sound managerial and internal controls and protect the Government's interest.

A general concern expressed regarding acquisition reform proposals was that they have tended to focus on cost drivers to Defense contractors which often include safeguards intended to assure that the Government obtains a quality product at a fair price. Those safeguards include: (1) disclosure requirements, (2) certifications, (3) price reduction requirements, and (4) audit rights. At the same time, reform has been less vigorous in addressing cost drivers to the Government such as small business set-asides, the Buy American Act, and domestic content requirements.

The Government, as the nation's largest single potential purchaser is often in the position of being able to obtain favorable pricing conditions, much as large corporate purchases try to take advantage of their large purchasing power. Too many procurement reform proposals related to commercial products are based on the faulty assumption that the Government imposes special requirements on the provider community that are different from those that these same providers impose on their commercial suppliers. In fact, Government practices are very much the same as those found in the commercial arena.

RECOMMENDATIONS ON PROPOSED LEGISLATION

Acquisition Reform

Several acquisition reform bills have been introduced in the 104th Congress. The Office of the Inspector General has been an active participant in helping to shape acquisition reform policy and has expressed its views on legislative proposals to the Department and to Congress. In the House of Representatives, H.R. 1670, the Federal Acquisition Reform Act of 1995, was passed on September 14, 1995. Comments by the OIG on H.R. 1670, as introduced, included the following:

- The OIG disagreed with a proposal to eliminate statutory exceptions to full and open competition and authorize DoD and civilian agencies to exclude a particular source in order to establish or maintain an

alternative source of supply for a particular item or service. The exceptions to competition should be retained in statute to avoid abuse of sole-source contracting.

- The Bill proposed to replace the definition and the clear standard of "full and open competition" with a new standard of "maximum practicable competition." The OIG expressed concern that the proposed standard could be used to limit competition. The current statutory definition requires contracting officers to use competitive procedures to the maximum extent practical.
- The OIG opposed a proposal to establish a contractor verification system for the acquisition of property or services that are procured on a repetitive basis. The proposal would move away from trying to add new vendors to DoD supplier lists and appears to limit suppliers to past DoD contractors.

- The OIG disagreed with the proposed change to the Truth In Negotiations Act (TINA) which would exempt all commercial items from the requirement to provide cost and pricing data without regard to whether there were established catalog or market prices for the items being procured or whether they had ever been sold in substantial quantities to the general public.

Further changes to the TINA would eliminate the right of a procuring activity to request cost or pricing data because the item is now called commercial, the right of contracting officers to request limited data for commercial items, and the right of auditors to audit cost and pricing data within 2 years after award of a contract.

One of the greatest benefits of the TINA is its intangible role in promoting voluntary contract compliance because pricing and cost data is subject to audit. The expressed concern that the proposed changes to the TINA will significantly weaken its deterrent effect.

- The OIG expressed support for a proposed change that would specify that simplified acquisition procedures may be used for purchases of commercial items regardless of dollar value. However, to further reduce acquisition costs, the OIG recommended that the Bill also exempt the commercial items from Buy American, small business and other socioeconomic statutes.
- The OIG opposed a provision to delete the requirement for a fee on foreign military

sales that is intended to recoup a proportionate amount of nonrecurring costs for research, development and production of major defense equipment. The OIG commented that repeal of this fee was not needed to improve the competitiveness of U.S. equipment and that current law and regulations permit the fee to be waived if it is an impediment to a sale. During consideration of H.R. 1670 by the House, an amendment was rejected which would have retained the recoupment fee.

Executive Compensation

Section 8117 of Public Law 103-335, Department of Defense Appropriations Act, 1995, prohibits obligation of fiscal year 1995 defense appropriations after April 15, 1995 for payments on new contracts for which allowable costs charged to the Government include payments for individual compensation at a rate in excess of \$250,000 per year. S.1102 would amend section 2324 of title 10, United States Code, to make that restriction permanent. The OIG supports the legislation and also believes it should be extended to apply to all Government contractors.

Information Technology Management Reform Act

The OIG expressed support for S. 946, The Information Technology Management Reform Act of 1995, which seeks to enable agencies to acquire information technology faster and for less money. The Bill would repeal the Brooks Act of 1965 and eliminate the requirement for a delegation of procurement authority by the General Services Administration. A Chief Information Officer would be established at each major Federal agency who is to oversee the acquisition and performance of information technology systems and programs. Additionally, the Bill would encourage the use of performance and results based management by agencies in making decisions regarding the acquisition and administration of information technology systems.

While expressing overall support for S.946, the OIG commented that the legislation was too detailed and could be written in a more general fashion to allow the Executive Branch to develop the procedures for implementing its provisions. A similar version of S. 946 was later adopted as an amendment to S. 1026, the National Defense Authorization Act for Fiscal Year 1996.

Accounting Standardization Act of 1995 (S. 1130)

In a letter to the Chairman of the Senate Governmental Affairs Committee, the OIG voiced support for provisions of S. 1130 designed to encourage Government-wide compliance with the accounting standards of the Federal Accounting Standards Advisory Board and with Standard General Ledger requirements. At the same time, the OIG strongly opposed the enforcement provisions of the Bill.

Specific objection was raised to provisions of S. 1130 imposing penalties in the form of across-the-board budget reductions on agencies for failure to implement a uniform accounting system. The Department of Defense, it was noted, is working diligently to correct longstanding accounting problems; however, it is unlikely that all deficiencies can be corrected within the time frames specified in the Bill. The resulting penalties would have a negative impact on the Department's ability to accomplish its mission.

The OIG was also opposed to applying criminal sanctions against financial officers who knowingly and willfully authorize deviations from proscribed accounting and reporting standards. Experience with the Anti-deficiency Act has shown that it is extremely difficult to enforce criminal penalties. The OIG is not aware of any successful prosecutions under the Anti-deficiency Act and, in lieu of new criminal penalties, the OIG believes existing administrative authority is sufficient to address misconduct by any Government official.

CONGRESSIONAL TASKINGS

Exhibit 19, page 52, lists recurring reports required by law. Reports issued during this 6-month reporting period required by law or as a result of requests by Members of Congress or congressional committees include:

- Microelectronics Chip Manufacturing (Report No. 95-164);
- Counternarcotics/Command and Management System (Report No. 95-167);
- Procurement of Systems Acquisition and Support Service Software (Report No. 95-181);
- Compensation to Presidents, Senior Executives, and Technical Staff at Federally Funded Research and Development Centers (Report No. 95-182);
- Army Procurement and Contract Administration Practices on Computer Software Service Contracts (Report No. 95-184);

- Status of the Effort to Consolidate Tactical Missile Maintenance at Letterkenny Army Depot (Report No. 95-189);
- Procurement of the Target Holding Mechanism, Tank Gunnery, From Technical Systems, Incorporated (Report No. 95-204);
- Buy American Act Requirements in Acquisitions of Vertical Lifting Hangar Doors (Report No. 95-207);
- Alleged Improper Software Development by the Department of Defense (Report No. 95-210);
- Contract Awards for Construction Projects at Camp Pendleton, California (Report No. 95-246);
- Development of the P-3/Pioneer Project (Report No. 95-255);
- Procurement of the Target Holding Mechanism, Tank Gunnery, from ECC International Corporation (Report No. 95-256);
- Navy Cost Estimate for the Realignment of the Naval Sea Systems Command from Arlington, Virginia (Report No. 95-290);
- DoD Reporting and Controls for Contracted Support Services (Report No. 95-295).
- Restrictive Contract Clauses on Anti-friction Bearings (Report No. 95-305);
- Review of Administrative Investigations Into Noncriminal Matters Conducted by the Air Force Inspector General Organization, April 1995
- Review of Administrative Investigations Into Noncriminal Matters Conducted by the Army Inspector General Organization, April 1995
- Armed Forces Retirement Home (Report No. 95-INS-12)

CFO Act Audits

The Chief Financial Officers Act of 1990 requires the Inspector General, DoD, to audit the financial statements of DoD activities. The following CFO Act audits were issued during the 6-month reporting period:

- The National Security Education Trust Fund Financial Statements for FY 1994 (Report No. 95-180);
- Statement of Financial Position for the Defense Logistics Agency Supply Management Business Area of the Defense Business Operations Fund, as of September 30, 1994 (Report No. 95-195)
- Statement of Financial Position for the Defense Logistics Agency Distribution Depot Business Area of the Defense Business Operations Fund, As of September 30, 1994 (Report No. 95-197);
- Defense Business Operations Fund-Defense Information Services Organization Financial Statements for FY 1994 (Report No. 95-209);
- Financial Statements for the Commissary Operations Fund, As of September 30, 1994 (Report No. 95-217);
- Statement of Financial Position for the Commissary Surcharge Collections Fund, As of September 30, 1994 (Report No. 95-218);
- Defense Business Operations Fund-Communications Information Services Activity Financial Statements for FY 1994 (Report No. 95-219);
- Financial Statement of the Defense Logistics Agency Reutilization and Marketing Service Business of the Defense Business Operations Fund for 1994 (Report No. 95-220);
- Statement of Financial Position for the Commissary Resale Stock Fund, As of September 30, 1994 (Report No. 95-228);
- Internal Controls for the Military Sealift Command Portion of the Transportation Business Area of the FY 1994 Defense Business Operations Fund Financial Statements (Report No. 95-259);
- Defense Finance and Accounting Service Work on the Air Force FY 1994 Financial Statements (Report No. 95-264);
- Defense Business Operations Fund Consolidated Statement of Financial Position for FY 1994 (Report No. 95-267);
- Major Accounting Deficiencies in the Defense Business Operations Fund in FY 1994 (Report No. 95-294);
- Major Deficiencies Preventing Auditors from Rendering Audit Opinions on DoD General Fund Financial Statements (Report No. 95-301).

Base Closure and Realignment

Section 2822 of Public Law 102-190, National Defense Authorization Act for Fiscal Years 1992 and 1993, as amended, directs the Secretary of Defense to ensure that the amount of the authorization that DoD requested for each military construction project associated with Defense base realignment and closure does not exceed the original cost estimates provided to the Commission on Defense Base Closure and Realignment or to explain the reasons for any significant differences. The Inspector General, DoD, is required to review each Defense base realignment and closure military construction project for which a significant difference exists from the original cost estimate and to provide the results of the review to the congressional Defense committees. During the

6-month period covered by this report, the OIG issued 31 audit reports on the cost of military construction projects related to Defense base closure and realignment military construction costs.

CONGRESSIONAL CORRESPONDENCE

During the 6-month period covered by this report, the Office of the Inspector General opened 240 cases in response to correspondence and telephone calls from Members of Congress. Most of the cases concerned allegations of mismanagement or procurement or personnel issues. During this same period, the OIG closed 276 cases.

EXHIBIT 19
ADDITIONAL LEGISLATIVE REPORTING REQUIREMENTS

Public Law	Report Required	When Due
Section 111(g) P.L. 99-499	The Inspector General of each Federal agency is to conduct an annual financial audit of all uses of the Hazardous Substance Superfund.	Annually.
Section 908(b)(2) P.L. 99-591	Report to Congress on the management of undefinitized contractual actions by each Secretary, including the amount of contractual actions under the jurisdiction of each Secretary that is represented by undefinitized contractual actions.	After periodic audits.
Section 1518 P.L. 101-510	An inspection of the operations and records of the United States Soldiers' and Airmen's Home and the Naval Home at 6-year intervals. The Inspector General, DoD, is to cause the Inspectors General of the Military Departments to also conduct investigations every 6 years so that each home is inspected every 3 years.	Reports due every 3 years, alternating between the OIG and the Military Departments.
Section 2822 P.L. 102-190	An investigation of significant increases in costs for BRAC military construction projects.	Ongoing basis.
Section 546 P.L. 102-484	A report on instances when emergency or involuntary mental health evaluations of members of the Armed Forces were used in an inappropriate, punitive or retributive manner.	Ongoing basis.
House Report 102-311 Conference Report National Defense Authorization Act for FY 1992 and FY 1993	An annual review of the manner in which the Military Departments address claims of reprisal, and appropriate recommendations to the Secretary of Defense and the Congress with respect to any changes required to protect Service members against reprisals.	Annually.

APPENDIX A

PERSONNEL STRENGTH AND OPERATING COSTS

PERSONNEL ON BOARD						
AUDIT, INSPECTION AND INVESTIGATIVE ACTIVITIES						
(For the 6-Month Period Ending September 30, 1995)						
Personnel on Board¹						
Organization	Auditors	Criminal Investigators	Non-Criminal Investigators²	Inspectors	Other³	Total
Army	656	856	N/A	1,095	951	3,558
Navy	539	1,010	N/A	133	659	2,341
Air Force	808	931	13	746	660	3,158
Defense Agencies	0	0	0	77	10	87
Contract Audit	4,296	0	0	0	878	5,174
IG, DoD	619	372	49	113	467	1,620
Total	6,918	3,169	62	2,164	3,625	15,938

¹There is a common misperception that all of the personnel shown in the table oversee the acquisition process. In fact, only the DCAA and the DCIS portion of the OIG, DoD, predominantly address contractor activities. Most of the personnel working for the other organizations are concerned with internal DoD oversight matters.

²Data were not available from all the Military Services for this reporting period.

³Includes among others: management, technical, administrative and support, policy and oversight, and followup personnel.

OPERATING COSTS					
AUDIT, INSPECTION AND INVESTIGATIVE ACTIVITIES					
(For the 6-Month Period Ending September 30, 1995)					
	Operating Costs (\$ in millions)				
Function	Civilian	Military	Travel	Other	Total
Audit					
Internal Audit	90.8	.3	7.2	7.5	105.8
Contract Audit	163.8	--	6.4	23.5	193.7
Total	254.6	.3	13.6	31.0	299.5
Inspection	17.3	126.3	6.5	4.3	154.4
Investigation	100.2	54.0	8.9	22.4	185.5
Total Operating Costs	372.1	180.6	29.0	57.7	639.4

This page left blank intentionally

APPENDIX B

LEGISLATIVE REPORTING REQUIREMENTS

<u>Public Law</u>	<u>Reporting Requirement</u>	<u>Semiannual Report</u>
Sec. 5(a)(1) P.L. 95-452 as amended	A description of significant problems, abuses and deficiencies disclosed during the reporting period.	Chapters 1,2,3
Sec. 5(a)(2) P.L. 95-452 as amended	A description of recommendations for corrective action made with respect to such significant problems, abuses or deficiencies.	Chapter 1
Sec. 8(f)(1) P.L. 95-452 as amended	Numbers and types of contract audits.	Chapter 2
Sec. 5(a)(4) P.L. 95-452 as amended	A summary of matters referred for prosecution and the results of such prosecutions.	Chapter 3
Sec. 4(a)(2) P.L. 95-452 as amended	Review of legislation and directives.	Chapter 5
Sec. 5(a)(6) P.L. 95-452 as amended	A listing, subdivided according to subject matter, of each audit report issued during the reporting period and, where applicable, the total dollar value of questioned costs and the dollar value of recommendations that funds be put to better use.	Appendix D Appendix C
Sec. 5(a)(7) P.L. 95-452 as amended	A summary of each particularly significant report.	Chapter 1
Sec. 5(a)(8)(9) P.L. 95-452 as amended	Statistical tables by status showing the total number of audit reports issued, the total dollar value of associated questioned costs, the dollar value of recommendations that funds be put to better use and the report decision status.	Chapter 1
Sec. 5(b)(2)(3)(4) P.L. 95-452 as amended	Statistical tables showing the status of management corrective action on agreed-upon audit recommendations.	Chapter 1
Sec. 5(a)(10)(11)(12) P.L. 95-452 as amended	Summary of overage undecided audits, significant revised management decisions and significant management decisions with which the inspector general is in disagreement.	Chapter 1

Sec. 5(a)(5)
P.L. 95-452
as amended

A summary of each report made to the Secretary of Defense by the Inspector General of instances when information or assistance was unreasonably refused or not provided. *(During the reporting period, the OIG, DoD, has not been unreasonably refused or denied access for information.)*

Sec. 802
Defense Authori-
zation Act for
Fiscal Year 1990

A review of each waiver made by the Department to any person for contracts for advisory and assistance services with regard to the test and evaluation of a system if that person participated in (or is participating in) the development, production or testing of such system for a Military Department or Defense Agency (or for another contractor of the Department of Defense). *(The Department made no waivers during the period and therefore, no reviews were made by the OIG.)*

APPENDIX C¹

**INSPECTOR GENERAL, DoD AUDIT REPORTS ISSUED
CONTAINING
QUANTIFIABLE POTENTIAL MONETARY BENEFITS²**

Audit Reports Issued (Period Ending September 30, 1995)	Potential Monetary Benefits (\$ in thousands)	
	Disallowed Costs³	Funds Put to Better Use
95-172 Defense Base Realignment and Closure Budget Data for Griffiss Air Force Base, NY (4/13/95)		\$2,300
95-183 Quick-Reaction Report on the Construction of a Plastic Media Blasting Facility, Laughlin Air Force Base, TX (5/3/95)		2,900
95-184 Army Procurement and Contract Administration Practices on Computer Software Service Contracts (5/2/95)		22,200
95-188 Air Force Measurement of Administrative Lead Time (5/5/95)		135,700
95-192 Acquisition Objectives for Antisubmarine Munitions and Requirements for Shallow Water Oceanography (5/15/95)		142,600
95-203 Defense Base Realignment and Closure Military Construction Budget Data for the Army Reserve Center, Sacramento, CA (5/25/95)		2,000
95-206 Procurements and Facility Renovations at the George C. Marshall Center (5/31/95)		515
95-212 Defense Base Realignment and Closure Budget Data for Fort Jackson, SC (6/2/95)		10,100
95-213 Defense Base Realignment and Closure Budget Data for the Naval Training Center, Great Lakes, IL (6/2/95)		8,724
95-215 Defense Commissary Agency Reimbursable Costs for Support Services Provided by Host Installations (6/2/95)		971
95-216 Bunker Fuel Payments (6/2/95)		3,200
95-220 Financial Statements of the Defense Logistics Agency Reutilization and Marketing Service Business Area of the Defense Business Operations Fund for FY 1994 (6/5/95)		211,700
95-221 Defense Base Realignment and Closure Budget Data for the Closure of Naval Training Center, San Diego, CA (6/6/95)		3,500
95-222 Defense Base Realignment and Closure Budget Data for the Proposed Construction of the Automotive Vehicle Maintenance Facility, Guam (6/7/95)		2,700
95-223 Defense Base Realignment and Closure Budget Data for the Closure of Marine Corps Air Stations, El Toro and Tustin, CA and Realignment to Naval Air Station, Miramar, CA (6/8/95)		3,500

Audit Reports Issued (Period Ending September 30, 1995)	Potential Monetary Benefits (\$ in thousands)	
	Disallowed Costs³	Funds Put to Better Use
95-224 Army Chemical Protective Mask Requirements (6/8/95)		6,800
95-225 Aeromedical Evacuation System (6/9/95)		258,000
95-226 Defense Base Realignment and Closure Budget Data for the Realignment of Rickenbacker Air National Guard Base, OH (6/8/95)		472
95-227 Requirements for Tactical Shelters (6/9/95)		32,200
95-230 Next Generation Target Control System (6/9/95)		11,000
95-231 Vendor Payments - Defense Accounting Office Air Force District of Washington, Finance Washington (6/12/95)		276
95-235 Financial Status of Army Expired Year Appropriations (6/14/95)		19,300
95-236 Defense Commissary Agency Management of Manufacturer Coupons (6/15/95)		12,700
95-238 Administrative Lead Time, DoD Inventory Control Points (6/15/95)		2,011,000
95-245 Defense Logistics Agency Special Construction Controls for Installations Affected by the 1995 Defense Base Realignment and Closure Recommendations (6/21/95)		37,700
95-247 Defense Base Realignment and Closure Military Construction Budget Data for the Naval Aviation Depot North Island, CA (6/23/95)		966
95-248 Defense Base Realignment and Closure Military Construction Budget Data for Sheppard Air Force Base, Wichita Falls, TX (6/23/95)		1,800
95-249 Defense Base Realignment and Closure Military Construction Budget Data for Goodfellow Air Force Base, San Angelo, TX (6/23/95)		1,000
95-250 Defense Base Realignment and Closure Military Construction Budget Data for Randolph Air Force Base, San Antonio, TX (6/23/95)		1,700
95-253 Management of the Saudi Arabian National Guard Security Assistance Program (6/26/95)		1,500
95-257 Defense Base Realignment and Closure Budget Data for the Realignment of the National Airborne Operations Center Forward Operating Base from Grissom Air Force Base, IN, to Wright-Patterson Air Force Base, OH (6/27/95)		8,500

Audit Reports Issued (Period Ending September 30, 1995)	Potential Monetary Benefits (\$ in thousands)	
	Disallowed Costs³	Funds Put to Better Use
95-258 Base Realignment and Closure Budget Data for the Naval Hospital, Lemoore, Ca (6/28/95)		39,100
95-265 Summary Report on the Audits of Anti-Armor Weapon Systems and Associated Munitions (6/29/95)		1,200,000
95-268 Closure of the Air Force Field Training Detachments (6/30/95)		103,700
95-271 Acquisition of the Sensor Fuzed Weapon (6/30/95)		77,000
95-272 Defense Information School at Fort George G. Meade Base Realignment and Closure Military Construction Project (6/30/95)		6,345
95-273 Replacement Commissary Construction Requirements (6/30/95)		2,300
95-276 Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Barbers Point, HI and Realignment to Naval Air Station Whidbey Island, WA (7/7/95)		2,600
95-278 Defense Base Realignment and Closure Realignment and Closure Budget Data, Fort Huachuca, AZ, Family Practice Clinic (7/14/95)		2,765
95-282 Defense Base Realignment and Closure Budget Data for Realignment of the Have Nap Maintenance Complex from Castle Air Force Base, CA to Barksdale Air Force Base, LA (8/1/95)		1,500
95-283 Defense Base Realignment and Closure Budget Data for Closure of Fort Devens, MA (8/1/95)		1,090
95-284 Defense Base Realignment and Closure Budget Data for the Move of the Naval Air Warfare Center, Aircraft Division, Trenton, NJ to the Naval Air Warfare Center, Aircraft Division, Patuxent River, MD and Arnold Air Force Base, TN (8/4/95)		23,050
95-285 Defense Base Realignment and Closure Budget Data for the Naval Surface Warfare Center, Indian Head, MD (8/4/95)		10,300
95-288 Source Approval for F404 Engine Critical Safety Items and Other Procurement Practices at the Naval Aviation Supply Office (8/7/95)		1,400
95-289 Defense Base Realignment and Closure Budget Data for Realignment of Grissom Air Reserve Base, IN (8/8/95)		4,085
95-297 Defense Base Realignment and Closure Budget Data for Realignment of the Bureau of Naval Personnel, Washington, DC to Naval Air Station, Memphis, TN (8/21/95)		1,500

Audit Reports Issued (Period Ending September 30, 1995)	Potential Monetary Benefits (\$ in thousands)	
	Disallowed Costs³	Funds Put to Better Use
95-299 Defense Base Realignment and Closure Budget Data for Realignment of the Inter-American Air Force Academy (8/28/95)		12,100
95-300 Quick-Reaction Report on Allegations to the Defense Hotline on the Use of Grant Funds for Construction of School Facilities on Fort Irwin, CA (8/31/95)		2,000
Totals		\$4,448,359

¹In accordance with the Inspector General Act of 1988.
²Appendix C contains a complete list of audit reports issued by the OIG, DoD, during the period.
³None of the disallowed costs involve unsupported costs.

95-281 Management and Capability of the Major Range and Test Facility Bases (7/27/95)	Army Audit Agency	SR 95-206 Army Acquisition Corps (5/9/95)
95-288 Source Approval Process for F404 Engine Critical Safety Items and Other Procurement Practices at the Naval Aviation Supply Office (8/7/95)	CR 95-11 Contract for Operation and Maintenance of Chemical Defense Training Facility, U.S. Army Chemical and Military Police Centers and Fort McClellan, Fort McClellan, Alabama (6/6/95)	SR 95-745 Dredging Operations Industry Bidding Practices (9/12/95)
95-293 Management and Contracting Practices of the Army Environmental Policy Institute (8/18/95)	CR 95-14 Contract for Dining Facility Operations, U.S. Army Chemical and Military Police Centers and Fort McClellan, Fort McClellan, Alabama (8/8/95)	SR 95-768 Life-Cycle Cost Estimate for the Chemical Stockpile Disposal Program (8/21/95)
95-295 DoD Reporting and Controls for Contracted Support Services (8/21/95)	CR 95-206 Program Executive Officer/Project Manager Matrix Support, U.S. Army Aviation and Troop Command and Program Executive Office for Aviation, St. Louis, Missouri (5/10/95)	WR 95-8 Base Operations Contracting, Fort Sam Houston, Texas (4/28/95)
95-300 Quick-Reaction Report on Allegations to the Defense Hotline on the Use of Grant Funds for Construction of School Facilities on Fort Irwin, California (8/31/95)	CR 95-208 Program Executive Officer/Project Manager Matrix Support, U.S. Army Missile Command and Program Executive Offices, Tactical Missiles and Missile Defense (5/11/95)	WR 95-205 Acquisition and Maintenance Strategies for Mobile Land Plant, U.S. Army Engineer District, Rock Island (4/11/95)
95-302 Production Readiness Review Process for Major Defense Acquisition Programs (8/31/95)	CR 95-756 Was North Atlantic Treaty Organization Ammunition Testing Economical and Independent of the Contractor (6/20/95)	WR 95-206 Acquisition and Maintenance Strategies for Mobile Land Plant, U.S. Army Engineer District, Vicksburg (4/18/95)
95-305 Restrictive Contract Clauses on Anti-friction Bearings (9/15/95)	HQ 95-201 Installation Security Support (6/30/95)	WR 95-207 Acquisition and Maintenance Strategies for Mobile Land Plant, U.S. Army Engineer District, Mobile (6/1/95)
95-306 Compliance by Uniformed Services Treatment Facilities with Government Lobbying Restrictions (9/15/95)	NR 95-10 Foreign Military Sales, U.S. Army Communications-Electronics Command, Fort Monmouth, New Jersey (6/19/95)	Naval Audit Service
95-307 Special Access Program and General Implementation Issues of the Chemical Weapons Convention and the Open Skies Treaty (CLASSIFIED) (9/20/95)	NR 95-206 Program Executive Officer and Project Manager Matrix Support, U.S. Army Communications-Electronics Command, Fort Monmouth, New Jersey (4/12/95)	038-95 Planned Civil Engineer Support Equipment Procurements for Shore Activities (4/14/95)
95-312 Validation of Technical Data Rights Restrictions for Spare Parts at Military Departments Program Offices and Inventory Control Points (9/27/95)	NR 95-207 Prioritizing and Funding Research and Development Programs (4/28/95)	049-95 T-45 Training System Program (6/22/95)
95-313 Acquisition of the Joint Service Imagery Processing System (FOUO) (9/27/95)	NR 95-209 Army Acquisition Corps, U.S. Army Communications-Electronics Command, Fort Monmouth, New Jersey (6/30/95)	053-95 Acquisition of Tactical Display Systems (7/27/95)
95-314 Joint Warfighting Center Contracts (CLASSIFIED) (9/29/95)	NR 95-210 Matrix Support for Program Executive Officers and Project Managers (6/30/95)	058-95 Procurement Procedures Within the Navy Exchange System (8-14-95)
Inspection of the Defense Industrial Base Policies And Procedures (6/21/95)	NR 95-11 Base Support Contracts, Rock Island Arsenal (6/30/95)	071-95 Navy Amphibious Fleet Requirements (9/29/95)
		Air Force Audit Agency
		94062018 Air Force Management of the International Engine Management Program (9/15/95)
		94063008 Management of Test Facility Investment Programs (4/17/95)
		94064003 Government Property in the Possession of Service Contractors 8/7/95

94064008 Military Family Housing Improvement Contracts (7/28/95)	95-310 Report on Responsibilities and Authority of Defense Accounting Offices (9/22/95)	95054018 Review of Security for Air Force Systems at Regional Processing Centers (8/18/95)
95064012 Internal Controls Over the Payment Authorization Process for Installation-Level Supplies and Services Contracts (8/30/95)	Naval Audit Service	95066003 Review of General Controls Over the Air Force Equipment Management System's Operating Systems (8/21/95)
94064025 Management of AGM-130 Logistics Support (8/18/95)	043-95 Federal Information Processing Resource Acquisitions Made Through a North Atlantic Treaty Organization Subsidiary (5/30/95)	95066005 Financial Management of Post Production Software Support (8/7/95)
95064032 Value Assessment of Reliability and Maintainability Efforts (8/2/95)	059-95 Selected General Controls at Defense Megacenter, Mechanicsburg, PA (9/26/95)	95066012 Followup Audit- Review of Reliability and Maintainability Management Information System Contract Management Activities (9/15/95)
<hr/>		
AUTOMATED SYSTEMS		
IG, DoD		
95-184 Army Procurement and Contract Administration Practices on Computer Software Service Contracts (5/2/95)	93058001 Review of Personnel Concept III System Security and Equipment Management (4/3/95)	CONSTRUCTION AND INSTALLATION SUPPORT
95-201 Management of the Global Command and Control System (5/24/95)	94051002 Air Force Management of Computer-Based Training Courseware Inventories (6/26/95)	BASE REALIGNMENT AND CLOSURE REPORTS
95-210 Alleged Improper Software Development by the Department of Defense (5/31/95)	94054003 Air Force Management of Unique Computer Systems (5/19/95)	IG, DoD
95-211 Operations at the Defense Megacenter, St. Louis, Missouri (5/31/95)	94054007 Management of Controls Over Expenditures for FTS 2000 Communications Services (9/8/95)	95-168 Procedures Used by Defense General Supply Center, Richmond, Virginia, for the Defense Logistics Agency 1995 Base Realignment and Closure Data Collection Process (4/11/95)
95-233 Personnel Support for the Corporate Information Management Initiative (6/12/95)	94054009 Modernization of Private Branch Exchange Telephone Systems (9/8/95)	95-169 Defense Logistics Agency Validation of the 1995 Defense Base Realignment and Closure Data Used in the Strategic Analysis for Integrated Logistics Systems Model (4/11/95)
95-263 Controls Over Operating System and Security Software and Other General Controls for Computer Systems Supporting the Defense Finance and Accounting Service (6/29/95)	94054010 Management of Air Force Modulator/Demodulator (MODEM) Communications (4/3/95)	95-173 Joint Cross-Service Group for Depot Maintenance 1995 Defense Base Realignment and Closure Process (4/13/95)
95-269 Oversight Process of the Major Automated Information Systems Review Council (6/30/95)	94054012 Review of the Commander-In-Chief Mobile Alternate Headquarters Program (9/15/95)	95-174 Joint Cross-Service Group for Military Treatment Facilities 1995 Defense Base Realignment and Closure Process (4/13/95)
95-270 Corrective Action on System and Software Security Deficiencies (6/30/95)	94066002 Configuration Management of Mission Critical Computer Resources Within the Air Force Material Command (7/7/95)	95-175 Joint Cross-Service Group for Undergraduate Pilot Training 1995 Base Realignment and Closure Process (4/13/95)
95-309 Requirements Validation for Tele-Communications Services-Guam (9/25/95)	94066006 Risk Management of Depot Maintenance Computer Systems (4/17/95)	95-176 Joint Cross-Service Group for Laboratories 1995 Defense Base Realignment and Closure Process (4/13/95)
	94066009 Followup Audit- Management of Air Force Supercomputer Resources (6/12/95)	
	95054005 Air Force Management of Software Systems During Migration (9/8/95)	

95-177 Joint Cross-Service Group for Test And Evaluation 1995 Defense Base Realignment and Closure Process (4/13/95)	95-273 Replacement Commissary Construction Requirements (6/30/95)	NR 95-214 Regional Training Sites-Medical Program (9/14/95)
95-178 Joint Cross-Service Group for Economic Impact 1995 Defense Base Realignment and Closure Process (4/14/95)	95-274 Idaho Training Range Justification (6/30/95)	WR 95-210 Audit of Stationing Forces to Use U.S. Army Reserve Construction Projects (8/17/95)
95-183 Construction of a Plastic Media Blasting Facility, Laughlin Air Force Base, Texas (5/3/95)	95-277 Relocation of the Defense Information Systems Agency Western Hemisphere, Fort Ritchie, Maryland (7/7/95)	WR 95-702 Combined Defense Improvement Projects, U.S. Forces, Korea (6/27/95)
95-185 Defense Investigative Service 1995 Defense Base Realignment and Closure Data Collection Process for Fort Holabird, Maryland (5/4/95)	95-290 Navy Cost Estimate for the Realignment of the Naval Sea Systems Command from Arlington, Virginia (8/4/95)	WR 95-758 Barracks Requirements Camp Castle, Eighth U.S. Army, Seoul, Korea (6/7/95)
95-186 Defense Logistics Agency 1995 Defense Base Realignment and Closure Data Collection Process for Reviewing Data Call Information (5/4/95)	Inspection of the Office of Economic Adjustment (5/17/95)	WR 95-761 Space Utilization, U.S. Army Garrison, Hawaii (7/5/95)
95-187 Defense Logistics Agency 1995 Defense Base Realignment and Closure Data Collection Process for the Evaluation Phase (5/4/95)	Navy Audit Service	Naval Audit Service
95-189 Status of the Effort to Consolidate Tactical Missile Maintenance at Letterkenny Army Depot (5/8/95)	072-95 Fiscal Year 1997 Military Construction Projects Stemming from Decisions of the 1993 Base Closure and Realignment Commission (9/29/95)	050-95 Centrex Telephone Line Utilization (7/19/95)
95-206 Procurements and Facility Renovations at the George C. Marshall Center (5/31/95)	Air Force Audit Agency	ENVIRONMENT
95-237 Office of the Secretary of Defense Standard Cost Factors for the Cost of Base Realignment Actions Computer Model (6/14/95)	94052028 1995 Base Closure and Realignment-Phase 2, Air Force Data Collection (4/28/95)	IG, DoD
95-239 Audit Assist for the 1995 Defense Base Realignment and Closure Process (6/16/95)	94052029 1995 Base Closure and Realignment-Phase 4, Joint Cross -Service Groups' Data Collection (7/28/95)	Inspection of the Management of Clean Air Requirements (6/29/95)
95-241 Summary Report on the Audit of Defense Logistics Agency 1995 Defense Base Realignment and Closure Data Collection Process (6/19/95)	94052031 1995 Base Closure and Realignment-Phase 5, Cost of Base Realignment Actions Automated Cost Model (6/27/95)	Army Audit Agency
95-245 Defense Logistics Agency Special Construction Controls for Installations Affected by the 1995 Defense Base Realignment and Closure Recommendations (6/21/95)	NON BASE REALIGNMENT AND CLOSURE REPORTS	NR 95-708 Program Execution for Environmental Projects (5/17/95)
95-268 Closure of the Air Force Field Training Detachments (6/30/95)	Army Audit Agency	Air Force Audit Agency
	CR 95-5 Space Utilization U.S. Army Engineer Center and Fort Leonard Wood (5/15/95)	94052022 Management of Environmental Compliance Funds 5/10/95)
	CR 95-9 Contract for Facilities Engineering and Housing Services, U.S. Army Chemical and Military Police Centers and Fort McClellan, Alabama (5/24/95)	94052024 Review of Air National Guard Environmental Program Management (5/1/95)
	NR 95-202 Residual Value of Real Estate, U.S. Army, Europe and Seventh Army (7/12/95)	94052027 Environmental Contract Quality Assurance Evaluation for Selected Defense Environmental Restoration Account (DERA) Projects (9/8/95)

FINANCE AND ACCOUNTING

CHIEF FINANCIAL OFFICER REPORTS

IG, DoD

95-180 The National Security Education Trust Fund Financial Statements for FY 1994 (4/24/95)

95-195 Statement of Financial Position for the Defense Logistics Agency Supply Management Business Area of the Defense Business Operations Fund, as of September 30, 1994 (5/17/95)

95-197 Statement of Financial Position for the Defense Logistics Agency Distribution Depot Business Area of the Defense Business Operations Fund, as of September 30, 1994 (5/19/95)

95-209 Defense Business Operations Fund-Defense Information Services Organization Financial Statements for FY 1994 (5/31/95)

95-217 Financial Statements for the Commissary Operations Fund, as of September 30, 1994 (6/2/95)

95-218 Statement of Financial Position for the Commissary Surcharge Collections Fund, as of September 30, 1994 (6/5/95)

95-219 Defense Business Operations Fund- Communications Information Services Activity Financial Statements for FY 1994 (6/5/95)

95-220 Financial Statements of the Defense Logistics Agency Reutilization and Marketing Service Business of the Defense Business Operations Fund for FY 1994 (6/5/95)

95-228 Statement of Financial Position for the Commissary Resale Stock Fund, as of September 30, 1994 (6/8/95)

95-267 Defense Business Operations Fund Consolidated Statement of Financial Position for FY 1994 (6/30/95)

Naval Audit Service

045-95 Fiscal Year 1994 Principal Financial Statements of the Navy General Gift Fund (5/31/95)

046-95 Fiscal Year 1994 Principal Financial Statements of the Office of Naval Records and History Fund (5/31/95)

BRAC FINANCIAL BUDGET DATA

IG, DoD

95-172 Defense Base Realignment and Closure Budget Data for Griffiss Air Force Base, New York (4/13/95)

95-191 Defense Base Realignment and Closure Budget Data for the Closure of Naval Reserve Readiness Center, San Francisco, California, and Realignment to Naval and Marine Corps Reserve Center, Alameda, California (5/15/95)

95-196 Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station, Alameda, California, and Realignment to Puget Sound Naval Shipyard, Washington (5/17/95)

95-198 Defense Base Realignment and Closure Budget Data for the Closure of the Underway Replenishment Training Facility, Treasure Island, California, and Realignment to the Expeditionary Warfare Training Group, Atlantic, Norfolk, Virginia (5/19/95)

95-203 Defense Base Realignment and Closure Military Construction Budget Data for the Army Reserve Center, Sacramento, California (5/25/95)

95-205 Defense Base Realignment and Closure Budget Data for the Relocation of Marine Corps Manpower Center at Marine Corps Combat Development Command, Quantico, Virginia (5/26/95)

95-208 Defense Base Realignment and Closure Budget Data for Realignment of Construction Battalion Unit 416 from Naval Air Station, Alameda, California, to Naval Air Station, Fallon, Nevada (5/31/95)

95-212 Defense Base Realignment and Closure Budget Data for Fort Jackson, South Carolina (6/2/95)

95-213 Defense Base Realignment and Closure Budget Data for the Naval Training Center, Great Lakes, Illinois (6/2/95)

95-221 Defense Base Realignment and Closure Budget Data for the Closure of Naval Training Center San Diego, California (6/6/95)

95-222 Defense Base Realignment and Closure Budget Data for the Proposed Construction of the Automotive Vehicle Maintenance Facility, Guam (6/7/95)

95-223 Defense Base Realignment and Closure Budget Data for the Closure of Marine Corps Air Stations El Toro And Tustin, California, and Realignment to Naval Air Station, Miramar, California (6/8/95)

95-226 Defense Base Realignment and Closure Budget Data for the Realignment of Rickenbacker Air National Guard Base, Ohio (6/8/95)

95-247 Defense Base Realignment and Closure Military Construction Budget Data for the Naval Aviation Depot North Island, California (6/23/95)

95-248 Defense Base Realignment and Closure Military Construction Budget Data for Sheppard Air Force Base, Wichita Falls, Texas (6/23/95)

95-249 Defense Base Realignment and Closure Military Construction Budget Data for Goodfellow Air Force Base, San Angelo, Texas (6/23/95)

95-250 Defense Base Realignment and Closure Military Construction Budget Data for Randolph Air Force Base, San Antonio, Texas (6/23/95)

95-257 Defense Base Realignment and Closure Budget Data for the Realignment of the National Airborne Operations Center Forward Operating Base from Grissom Air Force Base, Indiana, to Wright Patterson Air Force Base, Ohio (6/27/95)

95-258 Base Realignment and Closure Budget Data for the Naval Hospital, Lemoore, California (6/28/95)

95-272 Defense Information School at Fort George G. Meade Base Realignment and Closure Military Construction Project (6/30/95)

95-276 Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Barbers Point, Hawaii, and Realignment to Naval Air Station Whidbey Island, Washington (7/7/95)

95-278 Defense Base Realignment and Closure Budget Data, Fort Huachuca, Arizona, Family Practice Clinic (7/14/95)

95-282 Defense Base Realignment and Closure Budget for Realignment of the Have Nap Maintenance Complex from Castle Air Force Base, California, to Barkdale Air Force Base, Louisiana (8/1/95)

95-283 Defense Base Realignment and Closure Budget Data for the Closure of Fort Devens, Massachusetts (8/1/95)

95-284 Defense Base Realignment and Closure Budget Data for the Move of the Naval Air Warfare Center, Aircraft Division, Trenton, New Jersey, to the Naval Air Warfare Center, Aircraft Division, Patuxent River, Maryland, and Arnold Air Force Base, Tennessee (8/4/95)

95-285 Defense Base Realignment and Closure Budget Data for the Naval Surface Warfare Center, Indian Head, Maryland (8/4/95)

95-286 Defense Base Realignment and Closure Budget Data for McGuire Air Force Base, New Jersey (8/4/95)

95-287 Defense Base Realignment and Closure Budget Data for the Construction of the Special Purpose Vehicle Storage Facility at Vandenberg Air Force Base, California (8/4/95)

95-289 Defense Base Realignment and Closure Budget Data for the Realignment of Grissom Air Reserve Base, Indiana (8/8/95)

95-297 Defense Base Realignment and Closure Budget Data for the Realignment of the Bureau of Naval Personnel, Washington, D.C. to Naval Air Station Memphis, Tennessee (8/21/95)

95-299 Defense Base Realignment and Closure Budget Data for the Realignment of the Inter-American Air Forces Academy (8/29/95)

OTHER FINANCE

IG, DoD

95-179 Joint Civilian Orientation Conference Fund (4/17/95)

95-214 Hotline Allegations Concerning Operation of a Non-standard Automated Travel System (5/31/95)

95-215 Reimbursable Cost for Support Services Provided by Host Installations to Commissaries (6/2/95)

95-216 Bunker Fuel Payments (6/2/95)

95-231 Vendor Payments - Defense Accounting Office, Air Force District of Washington, Finance, Washington (6/12/95)

95-234 Department of Defense Compliance with Federal Tax Reporting Requirements (6/14/95)

95-235 Financial Status on Army Expired Years Appropriations (6/14/95)

95-236 Defense Commissary Agency Management of Manufacture Coupons (6/15/95)

95-244 Processing and Distribution of Combined Federal Campaign Payroll Deductions for Military Personnel (6/21/95)

95-254 Voluntary Separation Incentive Anniversary Payments (6/27/95)

95-259 Internal Controls for the Military Sealift Command Portion of the Transportation Business Area of the FY 1994 Defense Business Operations Fund Financial Statements (6/28/95)

95-264 Defense Finance and Accounting Service Work on the Air Force FY 1994 Financial Statements (6/29/95)

95-280 Management Control Program at Defense Information Systems Agency, Western Hemisphere (7/26/95)

95-291 Consolidated Report on the Cash Accountability in the Department Of Defense, Disbursing, Imprest, and Change Funds (8/8/95)

95-294 Major Accounting Deficiencies in the Defense Business Operations Fund in FY 1994 (8/18/94)

95-301 Major Deficiencies Preventing Auditors from Rendering Audit Opinions on DoD General Fund Financial Statements (8/29/95)

95-311 The National Security Education Program (9/22/95)

Army Audit Agency

CR 95-15 Controls Over Cash and Cash-Related Accounts Morale, Welfare and Recreation Programs, 1st Infantry Division and Fort Riley, Fort Riley, Kansas (8/28/95)

HQ 95-2 Contingency Funds for Criminal Investigative Activities (Limitation .0015) (4/14/95)

NR 95-7 Audit of the Army's FY 94 Financial Statements Military Travel and Pay Advances (6/20/95)

NR 95-211 Fuel Tax Refunds (9/8/95)

NR 95-413 FY 94 Superfund Financial Transactions (8/31/95)

NR 95-428 Financial Reporting of Wholesale Assets (6/19/95)

NR 95-430 Army Defense Business Operations Fund FY 94 Financial Statements (7/19/95)

NR 95-707 Reimbursements for Humanitarian Aid Missions, 21st Theater Army Area Command, Kaiserslautern, Germany (4/28/95)

SR 95-4 Cost of Operations Directorate of Public Works, 24th Infantry Division (Mechanized) and Fort Stewart, Fort Stewart, Georgia (6/6/95)	037-95 Budget Estimates for Consolidated Automated Support Systems and Test Program Sets (4/14/95)	Naval Air Warfare Center, Aircraft and Weapons Divisions (9/29/95)
SR 95-5 Cost of Operations Directorate of Public Works, U.S. Army Infantry Center and Fort Benning, Fort Benning, Georgia (7/6/95)	042-95 Validation of Selected Unliquidated Obligations of the Fiscal Year 1992 Aircraft Procurement, Navy Appropriation and Related Unliquidated Obligations Funded with Other Appropriations (5/17/95)	Air Force Audit Agency
SR 95-450 Financial Operations, U.S. Army Forces Command (5/11/95)	044-95 Fiscal Year 1994 Consolidating Financial Statements of the Navy Defense Business Operations Fund (5/30/95)	94053032 Review of Property, Plant, and Equipment, Fiscal Year 1994 Air Force Consolidated Financial Statements (8/10/95)
SR 95-451 Financial Operations, U.S. Army Materiel Command (9/27/95)	051-95 Fiscal Year 1994 Financial Statements of the United States Soldiers and Airmen's Home Resident Morale Support Fund (6/30/95)	94053034 Review of Operating Materials and Supplies, Fiscal Year 1994 Air Force Consolidated Financial Statements (6/27/95)
SR 95-452 General Ledger Accounting Standard Operation and Maintenance Army Research and Development System (6/8/95)	052-95 Fiscal Year 1994 Financial Statements of the United States Soldiers' and Airmen's Home Consolidated Chaplains Fund (6/30/95)	94053035 Review of Military and Civilian Pay, Fiscal Year 1994 Air Force Consolidated Financial Statements (4/24/95)
SR 95-720 Selected National Guard Pay Issues (5/2/95)	054-95 Fiscal Year 1994 General Ledger Accounts of the United States Naval Home (7/24/95)	94053037 Review of Contingent Liabilities, Fiscal Year 1994 Air Force Consolidated Financial Statements (5/1/95)
SR 95-722 Controls Over Reserve Component Pay (4/21/95)	060-95 Obligation Validation-Operation and Maintenance, Marine Corps (9/5/95)	94058013 Annual Review of Centrally Managed Allotments (9/8/95)
SR 95-734 Representation Contingency Funds (Limitation .0012), U.S. Army, Europe and Seventh Army (6/26/95)	061-95 United States/United Kingdom Polaris Trust Fund (9/22/95)	94058016 North American Air Defense Modernization (NAADM) Cost Sharing (5/15/95)
SR 95-737 Selected Army Reserve Pay Issues (7/7/95)	062-95 Validation of Incurred Costs for a Contractor Purchase Order Issued to the Pearl Harbor Naval Shipyard (9/29/95)	94058022 Review of Base Closure Account (9/1/95)
SR 95-770 Reimbursable Billings-Panama, U.S. Army South (7/10/95)	063-95 Validation of Operation and Maintenance, Navy Unliquidated Obligations at Commander in Chief, U.S. Pacific Fleet Shore Activities (8/31/95)	94058024 Review of Controls Over Selected Aspects of Cash Accountability (9/15/95)
WR 95-703 Representation Contingency Funds (Limitation .0012), Eighth U.S. Army, Korea (6/20/95)	064-95 Navy-Processed Vendor Payments at Commander, U.S. Naval Activities, United Kingdom (9/14/95)	94066013 Review of Application Controls Within the Project Order Control System (6/26/95)
WR 95-704 Representation Contingency Funds (Limitation .0012), U.S. Army Pacific (8/11/95)	065-95 Validation of Incurred Costs for a Contractor Purchase Order Issued to the Norfolk Naval Shipyard (9/28/95)	94068038 Review of the Air Force Defense Business Materiel Accounting System, Repairable Support Division (6/28/95)
WR 95-762 Nonappropriated Fund Instrumentalities Financial Operations, Tooele Army Depot, Tooele, Utah (6/20/95)	074-95 Undelivered Orders Funded by the Research, Development, Test, and Evaluation, Navy Appropriation at	94068039 Review of Selected Accounts, Depot Maintenance Service Business Area, Fiscal Year 1994 (7/28/95)
Naval Audit Service		94068040 Review of Selected Accounts, Airlift Services Division, United States Transportation Command Business Area, Fiscal Year 1994 (7/14/95)
035-95 Navy Tactical Air and Anti-submarine Warfare Flying Hour Program (CLASSIFIED) (4/12/95)		94068041 Review of Selected Accounts, Supply Management

**Business Area, Fiscal Year 1994
(6/27/95)**

94068042 Followup Audit - Review of Prior Year Defense Business Operations Fund Recommendations (8/18/95)

95058004 Preliminary Audit Assessment for the Fiscal Year 1995 Annual Statement of Assurance on the Status Of Internal Controls (8/24/95)

95058005 Management of Air Force Official Representation Contingency Funds, Fiscal Year 1994 (7/17/95)

95066007 Review of Application Controls Within the Maintenance Labor Distribution and Cost System (8/18/95)

95066021 Review of HO36A Controls Within the Depot Maintenance Business Area Cost Accounting And Production Report (9/15/95)

FORCES, JOINT OPERATIONS, AND SPECIAL OPERATIONS

IG, DoD

Inspection of the U.S. Central Command (8/11/95)

Inspection of the Reconstitution of Combat Units After Military Operations Other Than War (9/15/95)

Evaluation of Special Operations Forces Acquisition Oversight (7/27/95)

Program Evaluation Directorate White Paper on Defense Prisoner of War/Missing In Action Office (8/18/95)

Army Audit Agency

SR 95-208 Followup Audit of International Support Agreements, U.S. Army, Europe and Seventh Army (6/16/95)

Naval Audit Service

040-95 Opportunities to Reduce Cost by Balancing the Future Enlisted Force (5/15/95)

HEALTH CARE

IG, DoD

95-225 Aeromedical Evacuation System (6/9/95)

Inspection of the Defense Medical Programs Activity (9/26/95)

Evaluation-Review of Utilization Management in the Military Health Services System (6/15/95)

Evaluation of the Legal Considerations Facing the Military Health Services System Tricare Managed Care Initiative (7/7/95)

Army Audit Agency

CR 95-13 Medical Operations Fox Army Community Hospital Redstone Arsenal, Alabama (7/21/95)

WR 95-209 Managing the Costs of Institutional Medical Training, U.S. Army Medical Command (6/16/95)

Naval Audit Service

036-95 United States Naval Home Schedule II Controlled Substances (4/7/95)

Air Force Audit Agency

95051008 Informed Consent (8/2/95)

94051010 Facility Management: USAF Medical Treatment Facilities (6/28/95)

93051011 Review of Aeromedical Evacuation System (7/5/95)

INTELLIGENCE

IG, DoD

95-167 Counternarcotics/Command and Management System (4/12/95)

95-292 Tactical Intelligence Dissemination Systems and Radios (8/17/95)

Inspection of the DoD Intelligence Support to the National Counterdrug Mission (8/2/95)

Inspection of the Central Imagery Office (8/30/95)

Inspection of the Defense Investigative Service (9/21/95)

Inspection - United States Marine Corps Intelligence: Civilians in the Intelligence Management Function (5/15/95)

Inspection - Classification and Declassification Within the Department of Defense (5/24/95)

Army Audit Agency

NR 95-8 Safeguarding Controlled Cryptographic Items, U.S. Army, Europe and Seventh Army, Federal Republic of Germany (5/15/95)

Naval Audit Service

047-95 Emergency and Extraordinary Funds (6/12/95)

LOGISTICS

IG, DoD

95-165 Purchases on Consumable Items Transferred to the Defense Logistics Agency (4/4/95)

95-170 Charges Assessed the Army by the Defense Logistics Agency for Deployable Medical Systems (4/12/95)

95-171 Maintenance Support Equipment for Naval and Marine Corps Air Reserves' F/A-18 Aircraft (4/12/95)

95-188 Air Force Measurement of Administrative Lead Time (5/5/95)

95-200 DoD Travel Management Service Arrangements (5/24/95)

95-227 Requirements for Tactical Shelters (6/9/95)

95-232 Supply Performance for Foreign Military Sales (6/12/95)

95-243 Planning for Conversion of Air National Guard and Air Force Reserve Aircraft (6/21/95)

95-251 Appropriated Funds Used to Move Army and Air Force Exchange

Service's Merchandise Overseas (6/26/95)	Advanced Technology Program (6/7/95)	069-95 Modifications for the H-46 Helicopter (9/21/95)
95-261 Accountability and Control of Materiels at the San Antonio and Warner Robins Air Logistics Centers (6/29/95)	SR 95-207 Incorporating Force Projection Concept Into Materiel System Development (6/30/95)	Air Force Audit Agency
95-262 Bunker Fuel Operations (6/29/95)	SR 95-777 Accountability at the Troop Issue Subsistence Activity, 24th Infantry Division (Mechanized) and Fort Stewart, Fort Stewart, Georgia (9/1/95)	94061003 Management of Readiness Spares Package Requirements for TwoLevel Maintenance Items (9/8/95)
95-296 Disposition and Reutilization of Diagnostic Equipment at DoD Aviation Maintenance Depots (8/21/95)	WR 95-9 Petroleum Support Operations-Okinawa, U.S. Army Japan, Camp Zama, Japan (4/21/95)	94061009 Accuracy of Aircraft Spare Engine Repair Time Standards (9/15/95)
95-303 Management of Common Use Repairable Items in the Department of Defense (9/1/95)	WR 95-211 Acquisition and Maintenance Strategies for Mobile Land Plant (8/15/95)	94061019 Management of Personal Property Shipments and Do-It-Yourself Moves (6/9/95)
Army Audit Agency	WR 95-707 Installation Master Planning (9/29/95)	94061020 Review of the Coral Reduce Inventory Reduction Program (6/28/95)
CR 95-6 Automatic Tank Gauging System, U.S. Army Aviation and Troop Command (5/19/95)	WR 95-763 Audit of Property Accountability, 1st Special Forces Group (Airborne), Fort Lewis, Washington (8/31/95)	94061021 Pallet and Net Requirements Management (7/28/95)
CR 95-7 Airfield Operations, U.S. Army Combined Arms Center and Fort Leavenworth (5/12/95)	Naval Audit Agency	94061027 Training Munitions Management (6/13/95)
CR 95-8 Airfield Operations, 1st Infantry Division (Mechanized) and Fort Riley (5/23/95)	039-95 Requirements Determination of Retail Stock at Selected Navy and Marine Corps Stock Points (5/8/95)	94061028 Management of Time Compliance Technical Order Kits (6/12/95)
CR 95-10 Electrical Utility Billings, U.S. Army Armor Center and Fort Knox, Fort Knox, Kentucky (5/30/95)	041-95 The Navy's Management of Permanent Change of Station Moves (5-12-95)	94062002 Management of the C-141 Center Wing Repair (8/18/95)
CR 95-207 Aviation Restructure Initiative (05/17/95)	048-95 Quality Control Review of Audit of Ships Stores Conversion (9-20-95)	94062003 Management of the NAVSTAR Global Positioning System Modification (5/22/95)
CR 95-209 Cataloging of Equipment and Repair Parts (5/25/95)	055-95 Supply Management of the Phalanx Close-In Weapon System (7/27/95)	94062004 Depot Implementation of the Two-Level Maintenance Concept (4/3/95)
NR 95-9 Industrial Operations Facility, Tobyhanna Army Depot, Tobyhanna, Pennsylvania (5/19/95)	057-95 Management of Material and Hand Tool Inventories at Selected Navy Facilities to be Closed (7/30/95)	94062005 Review of Depot Maintenance Buyer and Seller Operations (7/28/95)
NR 95-204 Repair of Circuit Cards in the Field (4/20/95)	066-95 Supply Operations Within the Navy Exchange System (912-95)	94062014 Management of Base-Level Repair Capabilities (5/19/95)
NR 95-208 Managing Nontactical Vehicles and Special-Purpose Equipment, U.S. Army, Europe and Seventh Army (5/8/95)	067-95 Stockfunding of Aviation Depot-Level Repairables (9/18/95)	94064001 Configuration Management Process at Air Logistics Centers (5/1/95)
NR 95-213 Extended Service Program for the 2 1/2-Ton Vehicle (8/11/95)	068-95 Navy Fender and Engine Change Boat Alterations (9/18/95)	94064019 Pricing Orders for Consulting Services (7/28/95)
NR 95-759 Property Accountability Office of the Product Manager,		94064021 Management Process to Identify and Report Contingent Liabilities on Weapon System Contracts (7/28/95)

94077001 Followup Audit-Management of Ground Fuel Tax Refunds (9/8/95)	95064035 Followup Audit-Logistics Management of the Tanker, Transport Training System (9/15/95)	SR 95-761 1995 Army Basing Study (4/7/95)
95061006 Floating Stock, Floating Spares and Rotatable Spares Requirements (9/15/95)	<hr/> QUALITY OF LIFE <hr/>	Air Force Audit Agency
95061011 Accuracy of Air Force Wartime Munitions Requirements (9/15/95)	IG, DoD	94051001 Review of Civilian Advanced Education Programs (6/26/95)
95061012 T-1A Jayhawk Aircraft Spare Engine Requirements (9/15/95)	95-308 Armed Forces Recreation Center-Orlando (FOUO) (9/21/95)	94051006 Cost-Effectiveness of Air Force Lodging Operations (7/14/95)
95061017 Followup Audit-Management of Assets Withdrawn from the Defense Reutilization and Marketing Service (9/1/95)	Inspection of the Armed Forces Retirement Home (8/14/95)	94051008 Management of the Services Information, Ticket and Tour Operations (6/9/95)
95061018 Followup Audit-Initial Spares Requirements for Selected Communications-Electronic Equipment (4/28/95)	Evaluation Report on the Quality of Life from the Installation Commanders Perspective (5/17/95)	<hr/> OTHER <hr/>
95062012 Followup Audit-Programmed Depot Maintenance Expenditures and Production Reporting (6/26/95)	Army Audit Agency	IG, DoD
	NR 95-215 Planning for Closing or Downsizing Morale, Welfare and Recreation Activities (9/12/95)	95-253 Selected Aspects of the Saudi Arabian National Guard Security Assistance Program (6/26/95)
	SR 95-710 Morale, Welfare and Recreation Overhead and Layering (8/9/95)	Air Force Audit
		94063010 Air Force Management of Tuition Rates Charged Foreign Governments for USAF-Sponsored Military Training (4/24/95)

APPENDIX E
STATUS OF OIG, DoD REPORTS OVER 12 MONTHS OLD
WITH FINAL ACTION PENDING
(As of September 30, 1995)

Report Number/Title	Report Date	Monetary Benefits (\$ in thousands)		Reason Action Not Completed ²	Primary Action Office
		Questioned Costs	Funds Put to Better Use		
84-061 Hand Tools and Portable Power Tools	4/20/84			2	USD(C)
89-103 Acquisition of the Patriot Missile System	8/28/89			2	Army
90-001 User Charges and Resource Management at Major Range and Test Facilities	10/6/89			2	USD(A&T), Navy
90-002 Acquisition of the M9 Armored Combat Earthmover Program	10/6/89			2	Army
90-012 Primary Care for the Uniformed Services and Navy Cares Program	12/6/89			2	HA
90-043 Plant Clearance Action on Government-owned Property in the Possession of Defense Contractors	3/2/90		\$17,300	2	USD(A&T), DLA
90-049 Secure Terminal Unit-III Program	3/20/90			2	C ³ I
90-074 Reserve Components Common Personnel Data System	5/25/90		\$25,100	2	USD(P&R), Army
91-029A (Supplement to Audit 91-029) Utilization of the William Langer Jewel Bearing Plant	8/31/92			2	USD(A&T)
91-035 Contractor Rental of DoD Plant Equipment at Textron Lycoming, Stratford Division	1/28/91			2	USD(A&T)
91-041 Contracted Advisory and Assistance Services Contracts	2/1/91			2	USD(A&T)
91-055 Pricing and Billing of Stinger Missiles Sold to Foreign Military Sales Customers	2/27/91			2	USD(C)

APPENDIX E
STATUS OF OIG, DoD REPORTS OVER 12 MONTHS OLD
WITH FINAL ACTION PENDING
(As of September 30, 1995)1

Report Number/Title	Report Date	Monetary Benefits (\$ in thousands)		Reason Action Not Completed²	Primary Action Office
		Questioned Costs	Funds Put to Better Use		
91-093 Inventory Controls of Stinger Missiles	6/13/91			2	Navy
91-105 Civilian Contractor Overseas Support During Hostilities	6/26/91			2	USD(P&R)
91-124 DoD's Support to U.S. Drug Interdiction Efforts	9/30/91			2	USD(P&R)
92-006 DoD Leasing of Family Housing	10/16/91			2	USD(C)
92-011 Environmental Compliance Assessment Programs	11/8/91			2	USD(A&T)
92-012 Administration of Contract Terminations for Convenience	11/13/91			2	USD(A&T)
92-014 Pacific Theater Air Defense Activities	11/19/91			1	C ³ I
92-020 Aerial Target Systems	12/13/91			2	USD(A&T)
92-029 Capability of Reserve Components Intelligence Units to Satisfy Wartime Requirements	12/23/91			1	Army
92-039 Construction of Nellis Air Force Base, Nevada, Hospital	1/30/92			2	HA
92-048 Undefinitized Contractual Actions	2/14/92			1	DFAS, Army, DLA
92-064 Titan IV Program	3/31/92			2	USD(C), USD(A&T), AF
92-068 Civil Reserve Air Fleet	4/3/92			2	TRANSCOM
92-069 Quick-Reaction Report on DoD Procurements Through the Tennessee Valley Authority	4/3/92			2	USD(A&T)
92-078 DoD Base Realignment and Closure	4/17/92			2	Navy

APPENDIX E
STATUS OF OIG, DoD REPORTS OVER 12 MONTHS OLD
WITH FINAL ACTION PENDING
(As of September 30, 1995)¹

Report Number/TITLE	Report Date	Monetary Benefits (\$ in thousands)		Reason Action Not Completed ²	Primary Action Office
		Questioned Costs	Funds Put to Better Use		
92-099 Quality Assurance Actions Resulting From Electronic Component Screening	6/8/92			1	USD(A&T), DLA
92-100 Medical Disability Discharge Procedures	6/8/92			2	HA
92-103 Quick-Reaction Report on Army Repair of Components Made of Kevlar and Disposal of Materials Used During Kevlar Repairs	6/17/92			2	Army
92-107 Effectiveness of DoD Use of Nondevelopmental Items in Major Defense Acquisition Programs	6/22/92			1	USD(A&T)
92-108 Accessorial Charges Applied to Foreign Military Sales	6/26/92			2	AF
92-135 DoD Sealift Operations	9/9/92			1	USD(A&T), TRANSCOM
93-006 Electronic Combat Integrated Test Facilities	10/16/92			1	USD(A&T)
93-009 International Cooperative Research and Development	10/21/92			2	USD(A&T)
93-015 DoD Participation in North Atlantic Treaty Organization Practical Command, Control and Communications Interoperability	11/3/92			1	EUCOM, MC, DISA
93-023 Time and Materials Billings on Air Force Contract F3360-86-D-0295	11/13/92			2	AF
93-024 The Use of Small Business Administration 8 (A) Contractors in Automated Data Processing Acquisitions	11/25/92			2	Army
93-033 The Timber Wind Special Access Program	12/16/92			1	C ³ I

APPENDIX E
STATUS OF OIG, DoD REPORTS OVER 12 MONTHS OLD
WITH FINAL ACTION PENDING
(As of September 30, 1995)¹

Report Number/Title	Report Date	Monetary Benefits (\$ in thousands)		Reason Action Not Completed²	Primary Action Office
		Questioned Costs	Funds Put to Better Use		
93-041 Computed Topography Scanner Maintenance Service Contracts	1/8/93		\$23,600	1	HA, DLA, Army, Navy, AF
93-042 Allegations of Improprieties Involving DoD Acquisition of Services Through the Department of Energy	1/21/93			2	USD(C), USD(A&T), Navy, DLA
93-046 Acquisition of the Sense and Destroy Armor Weapon System	1/27/93			2	Army
93-047 Medical Facility Requirements- Stockton Fleet Hospital Prepositioning Facility	1/28/93			2	HA
93-053 Missile Procurement Appropriations, Air Force	2/12/93			2	USD(C), AF
93-055 Implementation of the Energy Policy Act of 1992	2/18/93			2	AF
93-056 Controls Over Copyrighted Computer Software	2/19/93			2	C ³ I
93-060 Duplication/Proliferation of Weapon Systems' Modeling and Simulation Efforts Within DoD	3/1/93			2	USD(A&T)
93-067 Use of Contractor Cost and Schedule Control System Data	3/11/93			2	USD(A&T), DLA, DCAA
93-072 Defense Officer Personnel Management Act for Medical Officer Pay and Entitlements	3/22/93			2	USD(P&R) Army, Navy, AF
93-076 Acquisition of Aircrew Chemical and Biological Protective Systems	3/26/93			1	Navy
93-079 Advanced Test Facilities	3/29/93			2	USD(A&T)
93-083 Status of Resources and Training System Reporting by National Guard and Reserve Units	4/22/93			2	MC

APPENDIX E
STATUS OF OIG, DoD REPORTS OVER 12 MONTHS OLD
WITH FINAL ACTION PENDING
(As of September 30, 1995)

Report Number/Title	Report Date	Monetary Benefits (\$ in thousands)		Reason Action Not Completed ²	Primary Action Office
		Questioned Costs	Funds Put to Better Use		
93-084 The Air Force Military Strategic and Tactical Relay Satellite Terminal Program	4/13/93			2	AF
93-090 Environmental Management of DoD Base Realignment and Closures	4/22/93			2	USD(A&T)
93-091 Management of the DoD Action Plan for Improving the Quality of Spare Parts	4/28/93			1	USD(A&T)
93-099 Quick-Reaction Report on Base Realignment and Closure Budget Data for the Collocations of Army and Navy Blood and Dental Research Programs	5/24/93			2	Navy
93-104 Administration of the Dual Compensation Act and the Civil Service Reform Act	5/28/93			2	DFAS
93-113 DoD Contractor Insurance Programs	6/18/93			1	DLA
93-115 BA-5598 Lithium Sulfur Dioxide and BA-4386 Magnesium Batteries	6/18/93			2	Navy
93-118 Quality Assurance for Organic Depot Maintenance of Aircraft	6/21/93			1	AF
93-120 Review of the Multifunctional Information Distribution System as Part of the Audit of the Defense Acquisition Board Review Process	6/21/93			2	USD(A&T)
93-124 Defense Commissary Agency Vendor Payments, Returned Checks and Rebates	6/24/93			2	DeCA
93-125 Selected Aspects of the Advanced Technology Bomber (B-2) Program	6/25/93			1	AF

APPENDIX E
STATUS OF OIG, DoD REPORTS OVER 12 MONTHS OLD
WITH FINAL ACTION PENDING
(As of September 30, 1995)¹

Report Number/Title	Report Date	Monetary Benefits (\$ in thousands)		Reason Action Not Completed²	Primary Action Office
		Questioned Costs	Funds Put to Better Use		
93-131 Controls Over Wholesale Drug Inventories at the Defense Logistics Agency	6/30/93			1	DLA
93-132 Condition and Economic Recoverability of Materiel in the Disposal Process	6/30/93			1	Army, AF
93-135 Controls Over Vendor Payment Authorizations by the Defense Commissary Agency	6/30/93			2	DeCA
93-162 Capability of U.S. Forces Korea to Receive Reinforcing Units	9/9/93			2	Army
93-163 Procurement Prices Paid on Aircraft Weapon Systems for Foreign Military Sales	9/2/93			2	USD(C)
93-164 Financial Statements of the Defense Logistics Agency Supply Management Division of the Defense Business Operations Fund (Defense Fuel Supply Financial Data) for FY 1992	9/2/93			2	DFAS, DLA
93-166 Private Development of the Navy Broadway Complex, San Diego	9/9/93			1	Navy
93-167 Classified Contracts Award	9/9/93			1	C ³ I
93-170 Implementation of Special Cost Accounting and Reporting Requirements by Depot Maintenance Activities	9/20/93			1	USD(C), Army, Navy
93-171 Manpower, Personnel and Training Requirements for Army Tactical Command and Control System	9/20/93			1	Army
93-175 Follow-up Audit of Requirements Forecasts on Supply Support Requests	9/30/93			2	DLA
94-001 Aircraft Fuel Cell Procurements	10/13/93			2	Army

APPENDIX E
STATUS OF OIG, DoD REPORTS OVER 12 MONTHS OLD
WITH FINAL ACTION PENDING
(As of September 30, 1995)1

Report Number/Title	Report Date	Monetary Benefits (\$ in thousands)		Reason Action Not Completed ²	Primary Action Office
		Questioned Costs	Funds Put to Better Use		
94-008 DoD Procurements Through the Tennessee Valley Technology Brokering Program	10/20/93			2	USD(A&T)
94-013 Billing of Depot Maintenance Transactions for Foreign Military Sales	11/4/93			2	Army, AF
94-014 Low-Rate Initial Production in Major Defense Acquisition Programs	11/9/93			1	USD(A&T)
94-015 Acquisition of the Longbow Apache System	11/9/93			1	USD(A&T)
94-017 Third Party Collection Program	12/6/93		\$40,800	1	HA
94-019 The DDG-51 Aegis Destroyer Program as Part of the Audit of the Defense Acquisition Board Review Process-FY 1993	12/10/93			1	Navy
94-020 Environmental Consequence Analyses of Major Defense Acquisition Programs	12/20/93			1	USD(A&T)
94-022 Management of Kits	12/23/93			2	USD(A&T)
94-023 Payment Errors Related to Operations Desert Shield and Desert Storm	12/23/93			1	DFAS
94-024 Transportability of Major Weapon and Support Systems	12/27/93			2	USD(A&T), Army
94-028 General Military Intelligence	12/30/93			1	DIA
94-030 DoD Counterintelligence Activities	1/25/94			1	C ³ I
94-034 Requirements for and Administration of the Ferroalloy Upgrade Program	2/7/94			2	DLA

APPENDIX E
STATUS OF OIG, DoD REPORTS OVER 12 MONTHS OLD
WITH FINAL ACTION PENDING
(As of September 30, 1995)1

Report Number/Title	Report Date	Monetary Benefits (\$ in thousands)		Reason Action Not Completed²	Primary Action Office
		Questioned Costs	Funds Put to Better Use		
94-036 Financial Status of Navy Expired Year Appropriations	2/10/94			1	Navy, DFAS
94-041 Warranties for the Navy F-404 Jet Aircraft Engines	2/14/94	\$10,600		3	Navy
94-042 Acquisition of a National Foreign Intelligence Program System	2/17/94			1	C ³ I
94-045 Life Reductions of T700 Aircraft Engine Components	2/25/94			2	Navy
94-047 Armed Forces Recreation Center - Europe	2/28/94			2	Army
94-048 Uncleared Transactions By and For Others	3/2/94			1	DFAS
94-049 Accountability and Transportation of Controlled Cryptographic Items	3/7/94			2	Army, AF NSA
94-052 Contribution and Financial Reporting for the DoD Education Benefits Trust Fund	3/11/94			2	USD(C), ASD(RA), Army, Navy, AF, MC
94-054 Fund Control Over Contract Payment at the Defense Finance and Accounting Service - Columbus Center	3/15/94		\$19,100	1	DFAS
94-059 Acquisition of the Joint Tactical Information Distribution System	3/18/94			1	AF
94-061 Acquisition of the Joint Surveillance Target Attack Radar System	3/18/94			1	Army, AF
94-062 Financial Status of Air Force Expired Year Appropriations	3/18/94			1	USD(C), DFAS
94-064 Meeting Threat Equipment Requirements Within the DoD	3/21/94			1	DIA

APPENDIX E
STATUS OF OIG, DoD REPORTS OVER 12 MONTHS OLD
WITH FINAL ACTION PENDING
(As of September 30, 1995)¹

Report Number/Title	Report Date	Monetary Benefits (\$ in thousands)		Reason Action Not Completed ²	Primary Action Office
		Questioned Costs	Funds Put to Better Use		
94-068 Followup Audit of the Palletized Load System Program	3/30/94			2	Army
94-069 Hotline Allegations Concerning Construction of Henry J. Kaiser Class (TOA 187) Oilers	3/25/94			2	Navy
94-070 Material Retention and Disposal Procedures for Secondary Items	3/28/94			2	Army
94-073 Defense Finance and Accounting Service Work on the Air Force FY 1992 Financial Statements	3/31/94			1	DFAS
94-076 Contracting Authority at the Defense Mapping Agency	4/1/94			1	DMA
94-077 Super Scientific, Engineering and Technical Assistance Contracts at the Ballistic Missile Defense Organization	4/8/94	\$54		2	DLA
94-079 DoD Components Implementing Action Plans for Improving the Quality of Spare Parts	4/12/94			2	USD(A&T), Army, Navy, AF
94-080 Information Resources Management at the Defense Information Systems Agency	4/11/94			2	DISA
94-082 Financial Management of the Defense Business Operations Fund- FY 1992	4/11/94			1	DFAS
94-083 Central Distribution Center Operations of the Defense Commissary Agency	4/13/94			1	DeCA
94-085 M43A1 Aircrew Member Protective Mask	4/21/94			2	Army
94-093 Disposition of Test Assets from Cancelled or Completed Programs	5/4/94		\$1,200	1	DLA, AF

APPENDIX E
STATUS OF OIG, DoD REPORTS OVER 12 MONTHS OLD
WITH FINAL ACTION PENDING
(As of September 30, 1995)1

Report Number/Title	Report Date	Monetary Benefits (\$ in thousands)		Reason Action Not Completed²	Primary Action Office
		Questioned Costs	Funds Put to Better Use		
94-104 Defense Base Realignment and Closure Budget Data for the Defense Contract Management District-West	5/18/94			1	DLA
94-113 Orders Placed Under Federal Supply Schedule Contracts for Total Quality Management Services at Naval Shipyards	5/25/94			1	Navy
94-115 Milestone Review Process for the Advanced Field Artillery Tactical Data System	5/27/94			1	Army
94-116 Milestone Review Process for the Consolidated Automated Support System	6/2/94			2	Navy, DOT&E
94-118 AV-8B Remanufacture Program as Part of the Audit of the Defense Acquisition Board Review-FY 1994	6/3/94			1	Navy
94-119 Accounts Receivable for DoD Materiel	6/3/94			2	DFAS
94-120 Telecommunications Circuit Allocation Programs-Jacksonville Area	6/6/94			2	DISA, AF
94-124 Human Systems Integration Requirements for Air Force Acquisition Programs	6/8/94			1	AF
94-136 Hotline Allegations Pertaining to Aerostat Operations	6/16/94			1	AF
94-143 Implementation of the Mobility Requirements Study	6/20/94			2	Army
94-148 Air Clearance Process	6/27/94			2	USD(A&T)

APPENDIX E
STATUS OF OIG, DoD REPORTS OVER 12 MONTHS OLD
WITH FINAL ACTION PENDING
(As of September 30, 1995)¹

Report Number/Title	Report Date	Monetary Benefits (\$ in thousands)		Reason Action Not Completed ²	Primary Action Office
		Questioned Costs	Funds Put to Better Use		
94-149 Property, Plant and Equipment Accounts on the Financial Statements of the Defense Logistics Agency Business Areas of the Defense Business Operations Fund for FY 1993	6/28/94			2	DLA
94-151 Hotline Allegations of Fund Control in a Special Operations Program	6/28/94			1	DFAS
94-160 The Joint Operations Planning and Execution System	6/30/94			1	Army
94-162 Administration of Grants by the Defense National Stockpile Center	6/30/94	\$157		2	DLA
94-163 Management Data Used to Manage the U.S. Transportation Command and the Military Department Transportation Organizations	6/30/94			2	Army, Navy, AF, TRANSCOM
94-168 Defense Finance and Accounting Service Work on the Army FY 1993 Financial Statements	7/6/94			1	DFAS
94-174 Organizational and Consultant Conflicts of Interest	8/10/94			2	USD(A&T), Army
94-181 The Effectiveness of Prototyping Acquisition Strategies for Major Defense Acquisition Programs	9/2/94			1	USD(A&T)
94-183 Commissary Revenues	9/6/94			1	DeCA, DFAS
94-184 Controls Over Management of Meat and Tobacco Products at Selected Commissary Stores	9/6/94			1	DeCA
94-185 Antideficiency Act Investigation of Real Property Maintenance, Defense FY 1993 Supplemental Appropriation	9/9/94			2	USD(C)

APPENDIX E
STATUS OF OIG, DoD REPORTS OVER 12 MONTHS OLD
WITH FINAL ACTION PENDING
(As of September 30, 1995)

Report Number/Title	Report Date	Monetary Benefits (\$ in thousands)		Reason Action Not Completed²	Primary Action Office
		Questioned Costs	Funds Put to Better Use		
94-188 Procurement Prices Paid on Missile Systems for Foreign Military Sales	9/14/94			2	DSAA, Army, Navy, AF
94-189 U.S. Army, Europe Pre-Positioning Requirements for War Reserve Materiel	9/12/94		\$51,600	1	Army
94-191 U.S. Air Forces, Europe Pre-Positioning Requirements for War Reserve Materiel	9/16/94			1	AF
94-194 U.S. - German Wartime Host Nation Support Agreement	9/20/94		\$211,400	2	Army, AF, EUCOM
94-196 Hotel Thayer, U.S. Military Academy West Point, NY	9/27/94			1	Army
94-198 Quick-Reaction Report on Repainting of C-5 Aircraft	9/29/94			1	AF
94-200 DoD Acquisition Information Management	9/30/94			2	USD(A&T)
94-201 Acquisition of the BLACKER and CANEWARE Communications Security Systems	9/30/94			2	C ³ I

¹The Military Departments reported another 183 reports over 12 months old with final action pending.
²Reason Action Not Completed.

- 1 - Long-term corrective action on schedule.
- 2 - Management action slipped significantly from originally estimated completion date.
- 3 - Formal administrative or judicial appeal.

Acronyms:	
AF	Air Force
ASD(RA)	Assistant Secretary of Defense (Reserve Affairs)
C3I	Command, Control, Communications
DCAA	Defense Contract Audit Agency
DeCA	Defense Commissary Agency
DFAS	Defense Finance and Accounting Service
DIA	Defense Intelligence Agency
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DMA	Defense Mapping Agency
DOT&E	Director, Operational Test and Evaluation
DSAA	Defense Security Assistance Agency
EUCOM	European Command
HA	Health Affairs
MC	Marine Corps
NSA	National Security Agency
TRANSCOM	Transportation Command
USD(C)	Under Secretary of Defense (Comptroller)
USD(A&T)	Under Secretary of Defense for Acquisition and Technology
USD(P&R)	Under Secretary of Defense for Personnel and Readiness

This page left blank intentionally

APPENDIX F

INVESTIGATIVE CASE RESULTS			
Investigations Not Involving Procurement Fraud or Major Health Care Areas			
(For the 6-month period ending September 30, 1995)			
	Totals For Period		
	DOJ	DoD	State/Local/ Foreign
LITIGATION RESULTS			
Indictments		N/A	
DCIS	48		9
CIDC	12		9
NCIS	51		37
OSI	30		8
Joint DCIOs	17		1
Convictions		N/A	
DCIS	33		1
CIDC	38		12
NCIS	82		56
OSI	39		11
Joint DCIOs	8		0
Civil Settlements/Judgments		N/A	
DCIS	1		0
CIDC	0		0
NCIS	0		0
OSI	1		0
Joint DCIOs	1		0
UCMJ RESULTS	N/A		N/A
Charges			171
Convictions			307
Nonjudicial Punishments			250
MONETARY OUTCOMES (\$000)		1	2
DCIS	\$335	\$2,336	\$412
CIDC	523	125	1,241
NCIS	10,413	500	1,228
OSI	712	290	4,660
Joint DCIOs	177	0	13
			0

¹ Administrative settlements and recoveries.

² Investigative seizures and recoveries. Includes Government properties seized or otherwise recovered during investigations. Government property recovered by investigation is valued at the original acquisition price, which may exceed the current fair market value.

This page left blank intentionally

**Additional information on or copies of this report may be obtained by writing or
contacting any of the following personnel:**

**Paul Allison
Frank Brandon
Shirley Singer**

**(703) 604-9785; DSN 224-9785
(703) 604-9786; DSN 224-9786
(703) 604-9784; DSN 224-9784**

**Inspector General, Department of Defense
Office of the Assistant Inspector General for Administration
and Information Management
Administration & Resources Acquisition Directorate
Policy Review & Reports Office, Room 415
400 Army Navy Drive
Arlington, Virginia 22202-2884**
